



DOI: <https://doi.org/10.31933/dijms.v5i1>

Received: 4 October 2023, Revised: 16 October 2023, Publish: 17 October 2023

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The Effect of Competitive Intensity, Organizational Slack, Entrepreneurial Orientation and Knowledge Management on Organizational Performance Mediated by Innovation in Culinary MSMEs in the Depok Region

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Abstract: The purpose of this study is to measure the business performance of culinary MSMEs in the Depok city area which is influenced either directly or indirectly by several variables, namely competitive intensity, organizational slack, entrepreneurial orientation, knowledge management, and innovation. This study uses data analysis techniques with multivariate analysis to test descriptive statistics and differential statistics to test hypotheses. The analytical tool used in processing data uses SEM (Structural Equation Model) based on PLS (Partial Least Square). Sampling in this study was 231 culinary MSMEs in the Depok area using the purposive sampling method. Based on the results of this study, the relationship between variables both directly and indirectly has a positive influence. The limitations in this study only discuss several RBV variables related to the internal performance of MSME business actors whereas the variables discussed emphasize the performance system of MSME actors in carrying out their business processes. The results of this study provide findings of several things that are taken into consideration for MSME business actors to improve their performance by paying attention to several indicators in each variable studied to become a reference in developing the performance of MSME business actors. This study presents several RBV variable tests to see the relationship and influence both directly and indirectly. Where previous research was not entirely in examining RBV variables.

Keyword: Competitive Intensity, Organizational Slack, Entrepreneurial Orientation, Knowledge Management, Innovation, Organizational Performance.

INTRODUCTION

In the development of the national economy in Indonesia, the priority is Micro, Small and Medium Enterprises. MSMEs are the backbone of the populist economic system to reduce poverty problems and their development is able to expand the economic base and can make a significant contribution in improving the regional economy and national economic

resilience. MSMEs are the pillars of the nation's economy (Sedyastuti, 2018). In addition, MSMEs have an important role in the growth of the Gross Domestic Product (Ndiaye et al., 2018; Tong Ha et al., 2018). The current lack of solid economic fundamentals in Indonesia encourages the government to continue to empower Micro, Small, and Medium Enterprises (Aryansyah et al., 2020; Cenamor et al., 2019; Jarad, 2020). There are several structural problems of MSMEs that need to be resolved so that MSMEs can play a greater role in the national economy.

These problems include the quality of human resources/ MSME actors in the managerial, financial, and production fields. Facts in the field show that MSME business actors in the culinary sector are not fully optimized. The lack of insight and self-development, both from business actors and employees, has an impact on the performance of Depok City MSME businesses (Hanny et al., 2020). The need for change and innovation in both the products marketed and services is less considered so many MSME business actors are unable to survive in a fast-paced era. One of the MSMEs that never dies is the culinary business, MSMEs in the culinary sector have the highest percentage compared to other types of businesses. The simple reason is that MSME business actors assume that they choose the culinary business because it has good and promising prospects (Cania & Susdiani).

This research focuses on human resource development in improving business performance in MSMEs in the culinary sector. This analytical approach refers to the RBV (Resource Based View) theory, which theory emphasizes the competitive advantage derived from the organization's strategic resources (Asad et al., 2020; Asemokha et al., 2019; Lin & Svetina, 2014; Theriou et al., 2009). The key to business success is to develop resources to generate innovation and improve business performance. The human resource approach has a positive and significant impact on improving business performance. Organizational Performance is a major phenomenon in business studies (Marín-Idárraga & Cuartas-Marín, 2019). Business performance is a determining factor for business success (Ahmed & Afza, 2019).

METHOD

The research design used in this research is hypothesis testing. This study aims to examine competitive intensity, organizational slack, entrepreneurial orientation, knowledge management, and innovation which ultimately affect company performance. The type of relationship between the variables studied is causal (cause-and-effect) with statements that indicate allegations about the influence between two or more variables. Data collection is cross-sectional, where data is collected at a certain period of time only. The unit of analysis is an individual, namely culinary MSME business actors in the Depok area, West Java. The population in this study were culinary MSME players in Depok City. The sample in this study is the population of culinary MSME players. Based on the criteria, it is necessary to have a minimum sample as a determination of the number of representative samples according to (Hair et al., 2021) where the number of indicators is multiplied by 5 to 10. The number of samples in this study was 231 respondents.

In measuring Competitive Intensity there are 3 dimensions and 3 indicators. Among them are Price Competition measured by 1 indicator, Operational Competition measured by 1 indicator, and Increase Competition measured by 1 indicator. This measurement is adopted from research (Marín-Idárraga & Cuartas-Marín, 2019; Suryawan, 2020). In measuring Organizational Slack there are 3 dimensions and 3 indicators. Among them are Strategic Decisions measured by 1 indicator, Long-Term Plans measured by 1 indicator, and Administrative Policy measured by 1 indicator. This measurement is adopted from research (Marín-Idárraga & Cuartas-Marín, 2019; Suryawan, 2020). In measuring Entrepreneurial Orientation there are 3 dimensions and 9 indicators. Among them are Creativity and innovativeness measured by 3 indicators, Proactiveness measured 3 indicators, and Risk

Taking measured by 3 indicators. This measurement is adopted from research (Al Mamun et al., 2017; Ok & Ahn, 2019). In measuring Knowledge Management there are 3 dimensions and 9 indicators. Among them are Knowledge Acquisition measured by 4 indicators, Knowledge Sharing measured by 2 indicators, and Responsiveness to Knowledge measured by 3 indicators. This measurement is adopted from research (Byukusenge et al., 2016; Suryawan, 2020). In measuring Innovation, there are 3 dimensions and 7 indicators. Among them are Product Innovation measured by 3 indicators, Process Innovation measured by 2 indicators, and Market Innovation measured by 2 indicators. This measurement is adopted from research (Al-Sa'di et al., 2017; Byukusenge et al., 2016; Mardani et al., 2018). In measuring business performance there are 2 dimensions and 8 indicators. Among them, namely Financial performance (Financial Performance) is measured by 5 indicators while for Non-Financial Performance (Non-Financial Performance) is measured by 3 indicators. This measurement was adopted from research (Anning-Dorson, 2016; Lee & Yoo, 2021).

RESULTS AND DISCUSSION

Results

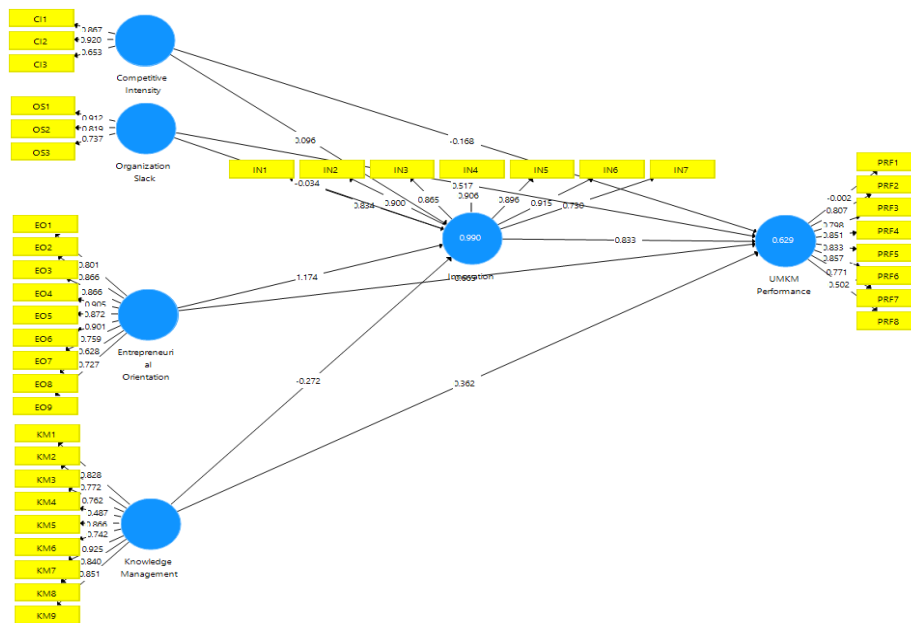


Figure 1. Outer Model Test-Path, SmartPLS 3.0

The results of the outer model test path shown in the figure above can be concluded that the values that have an outer model <0.7 must be eliminated in order to comply with the requirements for data that are suitable for use in research. The following is an explanation of each variable.

Table 1. Outer Loading Results from Competitive Intensity

Item	Outer Loading Results	Terms convergent validity	Conclusion
CI 1	0.867	0.7	Valid
CI 2	0.920	0.7	Valid
CI 3	0.653	0.7	Invalid

Based on Table 1 above, it is concluded that 2 statement items from the competitive intensity variable have an outer loading value > 0.7 so that they can be declared valid or meet the convergent validity requirements, namely items 1 and 2 but item 3 does not meet the requirements in this study.

Table 2. Outer Loading Results from Organizational Slack

Item	Outer Loading Results	Terms convergent validity	Conclusion
OS 1	0.912	0.7	Valid
OS 2	0.819	0.7	Valid
OS 3	0.737	0.7	Valid

Based on Table 2 above, it is concluded that 3 statement items from the organizational slack variable have an outer loading value > 0.7, so they can be declared valid or meet the requirements of convergent validity.

Table 3. Outer Loading Results from Entrepreneurial Orientation

Item	Outer Loading Results	Terms convergent validity	Conclusion
EO 1	0.801	0.7	Valid
EO 2	0.866	0.7	Valid
EO 3	0.866	0.7	Valid
EO 4	0.905	0.7	Valid
EO 5	0.872	0.7	Valid
EO 6	0.901	0.7	Valid
EO 7	0.759	0.7	Valid
EO 8	0.628	0.7	Invalid
EO 9	0.727	0.7	Valid

Based on Table 3, it can be concluded that 8 statement items from the entrepreneurial orientation variable have an outer loading value > 0.7 so that they can be declared valid or meet the convergent validity requirements, namely items 1,2,3,4,5,6,7 and 9. However, statement item no. 8 does not meet the validity requirements in this study.

Table 4. Outer Loading Results from Knowledge Management

Item	Outer Loading Results	Terms convergent validity	Conclusion
KM 1	0.828	0.7	Valid
KM 2	0.772	0.7	Valid
KM 3	0.763	0.7	Valid
KM 4	0.487	0.7	Invalid
KM 5	0.866	0.7	Valid
KM 6	0.742	0.7	Valid
KM 7	0.925	0.7	Valid
KM 8	0.840	0.7	Valid
KM 9	0.851	0.7	Valid

Based on Table 4 above, it can be concluded that 8 statement items from the knowledge management variable have an outer loading value > 0.7 so that they can be declared valid or meet the convergent validity requirements, namely items 1,2,3,5,6,7,8, and 9. However, item no. 4 does not meet the requirements in this study.

Table 5. Outer Loading Results from Innovation

Item	Outer Loading Results	Terms convergent validity	Conclusion
IN 1	0.834	0.7	Valid
IN 2	0.900	0.7	Valid
IN 3	0.865	0.7	Valid
IN 4	0.906	0.7	Valid
IN 5	0.896	0.7	Valid
IN 6	0.915	0.7	Valid
IN 7	0.730	0.7	Valid

Based on Table 5 above, it is concluded that 7 statement items from the innovation variable have an outer loading value > 0.7 so that they can be declared valid or meet the convergent validity requirements.

Table 6. Outer Loading Results from Organizational Performance

Item	Outer Loading Results	Terms convergent validity	Conclusion
PRF 1	- 0.002	0.7	Invalid
PRF 2	0.807	0.7	Valid
PRF 3	0.798	0.7	Valid
PRF 4	0.851	0.7	Valid
PRF 5	0.833	0.7	Valid
PRF 6	0.857	0.7	Valid
PRF 7	0.771	0.7	Valid
PRF 8	0.502	0.7	Invalid

Based on Table 6 above, it is concluded that 6 statement items from the organizational performance variable have an outer loading value > 0.7 so that they can be declared valid or meet the convergent validity requirements, namely Items 2,3,4,5,6, and 7. Meanwhile, statement items 1 and 8 must be eliminated because they do not meet the requirements.

Table 7. Average Variance Extracted (AVE) Results

Variabel	Average Variance Extracted (AVE)
PRF	0,691
CI	0,851
OS	0,682
EO	0,708
KM	0,683
IN	0,750

Based on Table 7 above, it can be seen that the organizational performance variable is $0.691 > 0.5$, competitive intensity is $0.851 > 0.5$, organizational slack is $0.682 > 0.5$, entrepreneurial orientation is $0.708 > 0.5$, knowledge management is $0.683 > 0.5$ and innovation is $0.750 > 0.5$ so it can be concluded that all variables in this study meet the requirements and are suitable for testing at the next stage.

Table 8. Composite Reliability Results

Variables	Results	Terms Composite Reliability	Conclusion
Competitive Intensity	0,829	0,7	Reliable
Organizational Slack	0,763	0,7	Reliable
Entrepreneurial Orientation	0,939	0,7	Reliable
Knowledge Management	0,933	0,7	Reliable
Innovation	0,939	0,7	Reliable
Organizational Performance	0,910	0,7	Reliable

Based on the results in table 8 above, it can be seen that the variables of competitive intensity, organizational slack, entrepreneurial orientation, knowledge management, innovation, organizational performance are declared reliable because they have a composite reliability value > 0.7 so it can be concluded that the variables tested are reliable or suitable for use in research.

Inner Model Test Result Direct Effects

The Inner Model test is used to answer the hypothesis and conclusion of the results of this study. The following are the results of the conclusion of the direct effect of the tested variables

Table 9. Hypothesis Test Results Direct Effect

Hypothesis	Variable	Coefficients/ Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	p-Values	Results
H1	CI→IN	0,053	0,052	0,008	0,000	Supported
H2	OS→IN	0,034	0,033	0,013	0,008	Supported
H3	EO→IN	1,094	1,095	0,009	0,000	Supported
H4	KM→IN	0,133	0,134	0,007	0,000	Supported
H5	IN→PRF	7,011	6,893	1,023	0,000	Supported
H6	CI→PRF	0,363	0,371	0,101	0,000	Supported
H7	OS→PRF	0,662	0,676	0,078	0,000	Supported
H8	EO→PRF	7,321	7,193	1,107	0,000	Supported
H9	KM→PRF	0,972	0,953	0,158	0,000	Supported

Based on the results of the above conclusions, it show that all direct influence hypotheses tested are supported and have a positive effect.

Inner Model Test Result Indirect Effects

The following are the results of the conclusion of the indirect effect of the tested variables

Table 10. Hypothesis Test of Results Indirect Effect

Hypothesis	Variable	Coefficients/ Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	p-Values	Results
H10	CI→IN→PRF	0,375	0,363	0,087	0,000	Supported
H11	OS→IN→PRF	0,241	0,230	0,100	0,016	Supported
H12	EO→IN→PRF	7,671	7,546	1,117	0,000	Supported
H13	KM→IN→PRF	0,934	0,922	0,137	0,000	Supported

Based on the results of the above conclusions, it show that all indirect effect hypotheses tested are supported and have a positive effect.

Discussion

Based on the research results above, it can be concluded that:

Hypothesis 1 (H1) is accepted, where there is a positive influence between competitive intensity on innovation. Pandemic conditions encourage business actors to take immediate action to maintain business stability. The real form is to increase customer service innovation and create new variants to provide product choices. Therefore, when the competition in the market is tight, the actors will innovate to increase competitive advantage and competitiveness. The intensity of competition has a relationship with innovation, where the existence of high competitive intensity in an organization will provide an increase in competition to continue to develop innovations in MSMEs (Kmieciak & Michna, 2018). This is in line with the ideas of Marín-Idárraga & Cuartas-Marín, (2019) and Yang & Yang, (2019) This research contradicts the results of Suryawan, (2020) which show the results that there is a negative correlation. Stating that the higher intensity of competition has a less-than-optimal impact on the development of innovation in the culinary field.

Hypothesis 2 (H2) is accepted, where there is a positive influence between organizational slack on innovation. The pandemic period provides a stimulus for culinary businesses to overhaul all aspects of it, optimizing available resources to increase innovation in both the service sector and the products produced. This is in line with the results of research by Asemokha et al., (2019); Marín-Idárraga & Cuartas-Marín, (2019); Murro et al., (2016); Kim et al., (2017) However, the results of this study contradict Suryawan, (2020)

which shows negative correlation results. These findings assume that the organization slack owned by the company does not affect innovation.

Hypothesis 3 (H3) is accepted, the results of this study indicate a positive relationship between entrepreneurial orientation and innovation. Based on field observations, it is concluded that MSME players who have a good entrepreneurial spirit, and the businesses they run will be better in terms of products and services. Based on the results of these findings, supports the results of research from researchers, namely Manahera et al., (2018); Utami & Ferdiansah, (2017); Asemokha et al., (2019); Zhai et al., (2018); Iqbal et al., (2021).

Hypothesis 4 (H4) is accepted, the results show a positive correlation between knowledge management and innovation. The results of field observations show that with knowledge management, knowledge in MSMEs is easy to create, use, and share so that new ways and instruments emerge in solving problems so that decisions can be made and resolved more quickly and better. The existence of good cooperation between employees and business owners of culinary MSMEs creates a healthy work environment during a pandemic. Openness and exchanging experiences to create new innovations is a challenge for culinary MSME players. The results of this study support Byukusenge et al., (2016); Iqbal et al., (2019); Kmiecik & Michna, (2018); Qader et al., (2022); Mardani et al., (2018) However, the results of this study contradict and do not support research from Suryawan, (2020) which shows the results of no influence between knowledge management on innovation. This finding explains that there is no relationship between knowledge development in the organization and innovation.

Hypothesis 5 (H5) is accepted, the results showed a positive correlation between innovation and organizational performance resulting in a positive correlation. Pandemic conditions require culinary business actors to be flexible in adjusting market desires as well as limitations and space for movement in operations. This encourages business actors to explore the potential to improve existing production processes and improve insights related to technological changes that shift offline sales to online sales to make it easier for customers to order and still maintain health protocols by applying the CHSE concept (Cleanliness, Health, Safety, Environmental, Sustainable). In addition, culinary MSME business actors are aggressively making many product variants to help increase the body's immunity during a pandemic. Changes in these conditions are business opportunities to respond quickly to services. This finding also further strengthens that the higher the innovation carried out, the better the performance of MSMEs. This is also in line with observations in the field where culinary MSMEs that have a high level of innovation will have better performance (profit) because the novelty of these products and services will provide new experiences for customers. This research strengthens the findings of Khalil & Mehmood, (2018); Marín-Idárraga & Cuartas-Marín, (2019); Suryawan, (2020); Nursal et al., (2022) and Mardani et al., (2018); Rianto et al., (2022).

Hypothesis 6 (H6) is accepted, the results show a positive correlation between competitive intensity and organizational performance of MSMEs. This finding also reinforces that the higher the competitive intensity, the better the performance of MSMEs. This result is also in line with observations in the field where the level of population growth and people's lifestyles that have begun to change make the culinary business in the city of Depok a high opportunity and market share, therefore MSME players will always increase competitive intensity in order to compete for the market. Competitive intensity will have a positive impact on MSMEs because, with high competitive intensity, MSME players will look for the best way to capture the market and have an impact on the performance (profit) of MSMEs. The results of this study support Marín-Idárraga & Cuartas-Marín, (2019); Alinejad & Anvari, (2019); and Kwarteng et al., (2020). However, this study contradicts the results of research by Ahmed & Afza, (2019); and Suryawan, (2020) which shows a negative relationship between competitive intensity and organizational performance.

Hypothesis 7 (H7) is accepted, the results showed a positive correlation between organizational slack and organizational performance. Culinary MSME players who have sufficient resources can be optimized in facing challenges and environmental changes. The Covid-19 pandemic shows that many large companies in different business sectors are experiencing poor performance, but it is different for culinary MSME players who have improved performance during Covid-19. Culinary MSME players face challenges in developing their abilities in determining market strategies and significant competition in pandemic conditions. This shows that MSME actors have sufficient organizational slack to deal with changes in the future. The results of this study are in line with research conducted by Geiger et al., (2019); Suryawan, (2020); Nguyen et al., (2019); Adomako & Nguyen, (2020); Fadol et al., (2015).

Hypothesis 8 (H8) is accepted, the results showed a positive correlation between organizational performance. Entrepreneurial orientation is a description of the extent to which the actions of culinary MSME actors can increase competitive advantage. The results of this study indicate that culinary MSME players are very sensitive to environmental changes that occur. Strategies to improve business performance continue to be explored in the hope of doing something new and exploiting business opportunities in maintaining the market. The use of technology, social media, and digital marketing is part of the actions taken by MSME players to improve performance. It is evident that the use of technology such as grab food and go food has a positive impact such as profit and new customer entry. This finding strengthens the relationship between entrepreneurial orientation and organizational performance, where the higher entrepreneurial orientation in a culinary MSME, will improve performance. This result is in line with Nursal et al., (2022); Rianto et al., (2022); Asemokha et al., (2019); Isichei et al., (2020).

Hypothesis 9 (H9) is accepted, the results show a positive correlation between knowledge management and organizational performance. Knowledge management is important for company growth and performance. Culinary MSME players are quite flexible in adjusting to situations and conditions, especially during a pandemic. There is cooperation between culinary MSME business actors and their employees to exchange experiences and knowledge in responding to technological changes that are expected to be up-to-date and responsive in responding to customer desires. Teamwork is carried out by MSME players to explore their abilities. Some business actors involve their employees to attend training courses or seminars conducted online. The development of potential resources owned is optimized to make new breakthroughs in maintaining the performance of culinary MSME businesses. The results of field observations also found that business actors implement knowledge management in the MSME environment. However, MSME actors experience constraints in the level of education and different backgrounds, so management becomes less efficient. The findings of this study support Rianto et al. (2021); Obeso et al. (2020); and Mardani et al. (2018). The results of this study do not support the findings of Suryawan, (2020) and Mardani et al., (2018) which show the findings of no correlation between knowledge management and organizational performance.

Hypothesis 10 (H10) is accepted, the results show a positive correlation between competitive intensity and organizational performance mediated by innovation. Field results show that business people must find new innovations, either new culinary products or new services to attract the interest of consumers who are competing in the market. The emergence of many product variants with processed herbal ingredients to maintain body immunity during pandemic conditions is of particular concern to seek customer sympathy. The online sales system using social media facilities is an alternative choice for marketing the products sold. MSMEs that have good innovation will be the choice of consumers so that performance increases. Therefore, through innovation, it is expected that competitive intensity will be better to improve the performance of MSMEs. Innovation has a full mediating effect with a

coefficient value of 0.375 which is greater than the coefficient of the direct effect of competitive intensity on organizational performance. This research supports Marín-Idárraga & Cuartas-Marín, (2019); and Yang & Yang, (2019). However, this research contradicts the results of research from Suryawan, (2020) and Alinejad & Anvari, (2019). The findings show the results that there is no correlation for the relationship between competitive intensity and organizational performance mediated by innovation. The conclusion of the study states that organizational business performance is not solely influenced by increased innovation but by the thrust of the pressures faced by business actors which will be a trigger in improving business performance.

Hypothesis 11 (H11) is accepted, the results show a positive correlation between organizational slack and organizational performance mediated by innovation. The same thing that is novel about this finding is the role of innovation that connects organizational slack to organizational performance. This finding shows the partial mediation of innovation in the influence of organizational slack on organizational performance with a coefficient value of 0.241 which is smaller than the coefficient value of the direct influence of organizational slack on organizational performance of 0.662. The company's ability to have both financial and non-financial resource slack will provide better innovation opportunities in the future and to survive in the midst of change. In addition, the proper utilization of innovation opportunities will improve the performance of MSMEs. Some field observations mention that during the Covid-19 pandemic MSMEs that have organization slack can build innovations in services due to PSBB carried out by the government. The innovations made are online services, digital marketing, to dine-in cars. This research is supported by previous research conducted by Marín-Idárraga and Cuartas-Marín, (2019); Bao et al., (2020); Kim et al., (2017); Adomako & Nguyen, (2020). However, this research contradicts Suryawan, (2020) who found that improving business performance does not only utilize the available slack to develop innovation.

Hypothesis 12 (H12) is accepted, the results show a positive correlation between entrepreneurial orientation on organizational performance mediated by innovation. This can be seen from the coefficient value of indirect effect which is greater than the coefficient value of direct effect. The action of entrepreneurial orientation will help entrepreneurs to find ways to continue to develop their businesses. The development of the business will certainly lead to the use of resources, and business processes which will then lead to innovation as a force to compete. A culinary entrepreneur must have entrepreneurial orientation skills so that it will increase innovation in his business in the form of product or service innovation. It is hoped that with this innovation, the entrepreneurial orientation actions possessed by MSME actors will be able to have a better effect on MSME performance. This research is in line with research conducted by Manahera et al., (2018); Asad et al., (2018); Nursal et al., (2022) and Rianto et al., (2022); Asemokha et al., (2019) and Subagja et al., (2017).

Hypothesis 13 (H13) is accepted, the results show a positive correlation between knowledge management and organizational performance mediated by innovation. This finding further clarifies the important role of innovation in connecting knowledge management to performance. The knowledge that has been received, used, and shared must find new ways (innovation) to be effective and survive so it needs innovation it. It is expected that knowledge management through innovation can improve the performance of MSMEs better. These results are also in line with observations where MSME actors find it easier to interact with short message application groups (WhatsApp) as one of the innovations developed in the dissemination of knowledge, making it faster in organizational learning and decision making. This research is in line with research conducted by Iqbal et al., (2019); Byukusenge et al., (2016); Nawab et al., (2015). However, this research contradicts Suryawan, (2020) which results in no correlation between knowledge management and organizational performance mediated by innovation.

CONCLUSION

Based on the research results, it can be concluded in general that competitive intensity, organizational slack, entrepreneurial orientation and knowledge management have a positive effect on innovation. The same thing is also found in the effect of competitive intensity, organizational slack, entrepreneurial orientation, knowledge management, and innovation on the performance of MSMEs. The mediating role of innovation mediates the relationship between competitive intensity, organizational slack, entrepreneurial orientation, and knowledge management on MSME performance. It is hoped that further researchers can add new variables as external aspects in strengthening the performance of MSMEs by adding aspects of marketing orientation and leader attitudes to MSME business actors in improving business performance. Researching on different research objects to help business actors in different sectors in improving business performance such as banking, manufacturing industry.

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