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## High Performance Work Systems and Organizational Values: Resource-based View Considerations

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### Abstract

High Performance Work Systems (HPWS) have become highly important as a source of competitive advantage in today's competitive business environment. Human resource management capabilities are important for attracting, selecting, retaining, motivating and developing the workforce in an organization. Meanwhile organizational culture, considered as a form of organizational capital may also be a driver for sustained competitive advantage. Organizational values, as the reflection of organization culture are asserted to influence the strategic issues such as strategic change, management decision making and also shape employee commitment and organization's interaction with external stakeholders. These two firm-specific resources may complement each other and further leveraging organizational performance. In consideration with the resource-based view, this paper seeks to identify whether high performance human resource practices are articulated and publicly espoused via organizational values. The research question of the study pertains to whether selected organizations incorporate components of HPWS in their organizational value statements. Summative content analysis is conducted which is supported by the NVivo software program, the findings of which are discussed in the text.

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### 1. Introduction

The issue of firm resources has become a central issue in strategy research for a few decades. In the 1990s, the resource-based view of the firm has been considered one of the theories of strategic management. The view suggests

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that organizations compete based on their resources and capabilities (Barney, 1991; Lado and Wilson, 1994). These dynamic and infinite mechanisms help the organizations attain, develop and distribute their resources to achieve - sustained competitive advantage relative to other firms. The resource-based view, by putting people or a firm's human resources first, among all capabilities, suggests that human resource management (HRM) systems contribute to organizational success by reinforcing firm-specific competencies which have been embraced by the organization's history, culture and value systems (Seong, 2011).

The concept of 'High Performance Work Systems' (HPWS) can be approached from the paradigm of resource-based view of the firm. HPWSs - also known as high performance work practices, high involvement (HI) or high commitment (HC) practices (Armstrong, 2001; Tomer, 2001; Walton, 1999)- are defined as those human resource management practices 'designed to attract qualified employees, enhance their skills, commitment and productivity in such a way that employees become a source of competitive advantage' (Datta, Guthrie & Wright, 2005; p.135). The resource-based view implies that a resource can be qualified as a source of competitive advantage as long as the resource adds value to the firm, is rare and hard to be imitated. Accordingly, Lado and Wilson (1994) put forward that sustainable competitive advantage can be further supported as long as human resource systems are able to develop firm specific competencies and capabilities, generate effective social interactions and also "tacit organizational knowledge" (pg.699). Implementing HRM practices in an effective way leads to the development of a skilled workforce (Dunford, Snell and Wright, 2001) and gives way to positive organizational outcomes in terms of commitment, flexibility and high quality.

Organizational culture, considered as a form of organizational capital (Barney, 1985) may also be a driver for sustained competitive advantage (Chan, Shaffer and Snape, 2004). The literature contends and general agree upon the fact that culture is inherently tacit, complex and specific and therefore it is all but impossible to be imitated by other organizational forms (Chan et al., 2004; Reed and DeFillippi, 1990; Fitzgerald, 1988; Barney, 1985). Organizational culture refers to the learned assumptions that hold the firm's members and units together by providing cohesiveness among them and that distinguish one organization from the other. Organizational culture can be evident in various forms such as rituals, routines, habits, values, cultural networks that are cherished by the organization (Singh, 2013) which would influence its way of allocating its resources and constitute an important variable for understanding employee behaviors. Organizational culture may enable less ambiguity and more certainty as the organization takes steps for making strategic decisions to achieve superior performance (Seong, 2011). Having consistency across divisions and employees in terms of ways of behaving can help achieve both higher organizational as well as better employee performance (Sadri, 2014).

Organizational values- as the foundation, form and reflection of organization culture is asserted to influence the strategic issues such as strategic change, management decision making and shape organization's interaction with external stakeholders (Voss, Cable, & Voss, 2000) and also employee commitment (Bourne & Jenkins, 2013). Organizational values take the center of attention by being at the core of organizational topics, i.e. culture, person-organization fit (Bourne & Jenkins, 2013).

Schein (2004) analyzes culture at several different levels. These levels vary from the very explicit, tangible demonstrations such as visible organizational structures and processes that each employee can describe to the deeply embedded, unconscious thoughts and feelings. In between these levels he argues that there are espoused beliefs and values which provide the employees with goals, operating principles and/or philosophies by which the top management or the founder guides their behavior.

Human resource management capabilities are important for attracting, selecting, retaining, motivating and developing the workforce in an organization. Meanwhile organizational culture, via its rituals, behaviors, heroes, decision mechanisms, values allocate and act as an anchor on resources for organizational success. These two firm-specific resources may complement each other and further leveraging organizational performance (Chan, et al., 2004). Organizational values, as embedded within this organizational culture conceptualization are the main focal point of this study. In consideration with the resource-based view, this paper seeks to identify whether high performance human resource practices are articulated and publicly espoused via organizational values as a reflection of organizational culture. A number of 10 multinational corporations' (MNCs) organizational values are considered as the documents of the study. The motive to execute the study with multinationals is that MNCs operate on a very large

scale with a bundle of resources which may indicate that organizational culture can be regarded as a strategic resource of a multinational company (Mirosknik, 2011). Further, the role of organizational culture seems to be even more important in multinational corporations which require to develop a consistent organizational culture which integrate the cultures of all country of origins in which they operate (Rozkwitalska, 2012). In addition, the degree of utilization of high performance work systems (HPWSs) by MNC subsidiaries have been supported in literature arguing that HPWS has been increasingly used by MNCs during the past decade (Yalabik, Chen, Lawler, & Kim, 2008; Foley, Ngo, Loi, 2009). Yet, recent research have found insignificant interaction between HPWS and organizational culture in small-sized organizations. The reason for taking values concept as central to our analysis is that, it is a powerful concept to be applied to the study of individuals, groups, firms, countries, etc. (Fitzgerald & Desjardins, 2004). The organizational culture takes a crucial role focusing on the organizational values of multinational corporations that are inscribed in text form on their websites.

## **2. Literature Review and Hypotheses**

### *2.1. The Resource-Based View and High Performance Work Systems (HPWS)*

A resource is 'anything which could be thought of as a strength or weakness of a given firm . . . whose tangible assets which are tied semi permanently to the firm' (Wernelfelt, 1984: 172). Barney (1991) elaborated on this definition and claimed firm resources to include "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (pg. 101). The resource-based view (RBV) of the firm focus on the internal resources of the firm as the major determinant of competitive success as opposed to the environmental models of competitive advantage (Barney, 1991). These models pursue the assumption that firms within an industry are identical in terms of strategic resources they possess and that they barely take notice of any idiosyncratic firm attributes (Porter, 1981; Porter, 1990). However, the resource-based view of the firm assumes that firms belonging to an industry or a group may be heterogeneous in terms of the resources they control and these firm resources are considered to be imperfectly mobile and idiosyncratic in nature.

The RBV has influenced the strategic human resource management (SHRM) field as the function of human resources have tried to prove its status and value to the firm (Dunford, et al., 2001). According to the RBV, the resources can provide sustainable competitive advantages to a firm as long as these resources are rare, valuable, imperfectly imitable and non-substitutable (Barney, 1991). Due to the increased emphasis on the RBV in the literature of strategy, HR has been able to legitimize its position that a firm's human capital is strategically crucial to its success.

Right after these assumptions, a question has arisen as to whether it is the firm's human resources or the HR practices that have more potential to be a source of sustainable competitive advantage. While Wright, et al. (1994) have championed the firm's employees equipped with skills and motivation, other scholars (Lado and Wilson, 1994; Snell, Youndt, & Wright, 1996) proposed that implementation of HR practices as a system - HR tools used to manage the firm's human resources - can provide sustainable competitive advantage to a firm via developing and sustaining unique, synergistic and integrative HR practices through which firms can enhance employee commitment, skills and productivity.

These two opposing views can be incorporated into the concept of High Performance Work Systems (HPWS) which considers employees to be valuable, self-managed, self-controlled and improvement-oriented, whose performance can be further developed and sustained by building a set of interrelated HRM practices. These HR practices are used to effectively select, develop and motivate the workforce by extensive training and information-sharing and involving them in decision-making processes.

### *2.2. High Performance Work Systems (HPWS) and Organizational Performance*

HPWS are defined as a combination of those HR practices that can facilitate employee involvement, skills enhancement and stronger motivation (Appelbaum et al., 2000). Moreover, as Appelbaum asserts they are important because they improve the level of trust in the workplace, foster employees' intrinsic level of motivation and raise 'organizational commitment'.

Though there are no absolute definitions of HPWS, based on previous literature, Datta et al. (2005) generally have implied a list of HPWS to be comprised of practices such as careful selection procedures, internal merit-based promotions, grievance procedures, cross-functional and cross-trained teams, high levels of training, information sharing, participatory mechanisms, and skill-based pay. HPWS includes three categories of HR practices: employee skills, employee motivation and employee empowerment (Appelbaum & Berg, 2001; Wright and Boswell, 2002).

- a. The employee skills category includes HR practices such as selective staffing, extensive training, competitive compensation and internal promotions, which are designed to attract highly qualified applicants with superior knowledge, skills, and abilities (KSAs). They can also be deployed to develop their skills further and to maintain their retention (Chi and Lin, 2011).
- b. The employee motivation category comprises HR practices such as performance contingent pay and results-oriented appraisal that are created to elicit higher levels of work motivation (Huselid, 1995; Wright and McMahan, 1992).
- c. Finally, the employee empowerment category refers to HR practices such as employee participation, formal complaint resolution systems and teamwork design that are designed and implemented to enable employees to express their opinions and perceptions, thereby empowering to make decisions which lead to higher employee flexibility and productivity (Legge, 2005; Way, 2002).

HPWS have been found by many researchers to have significant impact on employees and on the organization's performance (Den Hartog & Verbung, 2004; Way, 2002; Becker & Gerhart, 1996; Becker & Huselid, 1998). This dimension of HR practices in relation to organizational performance has been explained from the resource-based view of the firm. Regarding which, Barney (1991) argues that firms develop competitiveness by acquiring, developing and more effectively assigning its resources so as to add unique value. Accordingly, HPWS can improve employees' knowledge, skills and abilities and other organizational resources, which can result in competitive advantage. In addition to this, Evans and Davis (2005) argue that not only HPWS practices develop the knowledge, skills, and abilities (KSAs) of the employees, but they also change the nature of employee relationships as well as fostering proactive role makers who are prepared to develop and nurture a network of productive relationships. This is especially beneficial in instances requiring connections across departments (Evans & Davis, 2005).

### *2.3. Organizational Culture and Organizational Values*

Organizational culture refers to the deeply rooted values, beliefs and norms that have been cultivated over the organization's lifetime and that are possessed by its employees (Schein, 2004). Organizational culture provides employees with the understanding as to the way things are done around here and it brings about norms that give forms to individual behaviors. Organizational culture is what holds firms together and as Weick (1985) claimed "organizations don't have cultures, they are cultures.", and therefore should be managed (as cited in Schrott, 2004).

Organizational culture is also critical for attaining organizational performance (Hall, 1993). Respectively, Kandula (2006) distinguished between positive-strong and negative-weak cultures and claimed that strong cultures are the key to effective performance. Strong organizational cultures enable employees' adaptation of appropriate behaviors and improve performance (Seoul, 2011; Den Hartog and Verbung, 2004). A firm's organizational culture should directly or indirectly support its HR practices via its shared norms and corporate values with the aim of achieving competitive advantage.

Organizational values are one of the ways, which organizations make use of in order to operationalize their organizational culture. Values establish the fundamentals of organizational culture which drives performance and hence, are highly significant for firms. Values are defined as "central desires or beliefs regarding final states or desirable conducts that transcend specific situations, guide the choice and evaluation of our decisions and, therefore, of our conducts, becoming an integral part of our way of being and acting to the point of shaping our character." (Argandona, 2003:16). Values guide the events and behavior of individuals at work to achieve common goals. Moreover, values are found to be salient regarding strategic issues, change concerns and positive organizational performance (Brinkley, 2013).

Values are dynamic in nature and may adopt distinct forms. They can be espoused values which are publicly announced principles by the top management on the organization's behalf at which the organization aims to arrive. (Schein, 2004). Values can also take the form of shared values, if employees are asked about what their values are. On the other hand, aspirational values may arise if members say those values they believe, the organization should adopt. Fitzgerald and Desjardins (2004) argue that values provide important insights for setting the tone of the environment, and for cultivating a goal-oriented culture for achieving organizational performance.

#### 2.4. High Performance Organizational Cultures and the Importance of Values

The literature agrees upon the assumption that supportive organizational cultures are important for the implementation of HPWS to end up with capable, committed and productive human capital. By making use of rituals, heroes, values, organizational culture will have an impact on strategic investment and resource allocation decisions (Seong, 2011).

Scholars have often associated organizational culture with human resource management. It is through clearly articulated and shared norms and values that successful organizations differentiate themselves from others (Seoul, 2011; Den Hartog & Verbung, 2004). In that sense, developing an environment with strong culture requires strong support from human resource management.

As Seoul (2011) mentions high performance work practices are influential in developing and embedding culture in to the organization. HPWS is a strategy that helps shape organizational culture. For, through various such practices, including selective recruitment, internal promotion, performance-contingent pay, employee participation, etc. employees are further developed in terms of their knowledge, skills and abilities, which in turn can also increase their levels of motivation and commitment. Consequently, HPWS help create and maintain high performance organizational cultures (Foley, Ngo & Noi, 2012).

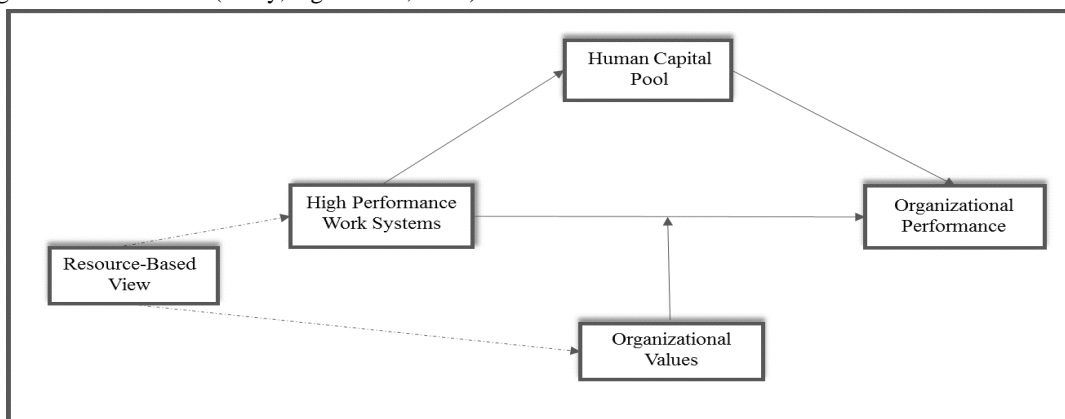


Figure 1. Integrated Model for High Performance Work Systems and Organizational Performance on the basis of the Resource-Based View (adapted from Seong, 2011 and Dunford, et al, 2001).

### 3. Methodology

#### 3.1. Research Goal

The main objective in this study is to discover whether or not the value systems of selected organizations are actually covering components or key words of HPWS as identified in the literature. Accordingly, the research question of the study pertains to whether selected organizations incorporate components of HPWS in their organizational value statements.

### 3.2. Sample and Data Collection

A number of 10 MNCs were selected based on convenience sampling and a summative approach to qualitative content analysis is utilized by quantifying certain key terms in text via NVivo, a software product for qualitative data analysis. Content analysis basically refers to summarizing any form of content by counting various aspects of the content. Accordingly, namely components of HPWS are explored within the organizational value statements on an aggregate basis. The value statements and behavioural indicators of these organizations were drawn from their websites with their informed consent and these comprise the documents of the analysis. The aim is to understand the contextual use of the words or to explore usage. Queries are used to explore and test results, and information is extracted via specific matrix-coding queries.

The components of HPWS have been selected as the key words which are adapted according to the scales developed by other authors, i.e. Appelbaum, et al. (2000), Sung and Ashton (2005), and Thompson and Heron (2005). For instance, the HPWS key word or component of “employee development” was derived from Appelbaum, et al.’s (2000) explanation of ‘workers require more skills to do their jobs successfully, and many of these skills are firm specific, from Sung and Aston’s (2005) ‘Work redesign and mentoring’ and also from Thompson and Heron’s (2005) ‘Interpersonal skill development.

Grouping the components of HPWSs under three categories of ‘employee skills’, ‘employee motivation’ and ‘employee empowerment’ provide us with more detailed results for further discussion. The table regarding matrix coding queries is formulated accordingly below.

### 4. Analyses and Results

According to the findings of the study, the term “employee autonomy”, “employee participation”, “information sharing”, “quality improvement”, “teamwork design” are among the most cited items all being within the “employee empowerment” category (see Table 1.). These are followed by the items in the “employee motivation category” such that “employee development” and “flexibility”, “performance-contingent pay”, “result-oriented appraisals” and “employee security” take the second lead in terms of frequency counts. Final category is “employee skills” in which both “internal promotions” and “selective staffing” are among the least frequently announced items. “Employment security” takes the lead in terms of the least counts within organizational value statements.

	EMPLOYEE EMPOWERMENT CATEGORY					EMPLOYEE MOTIVATION CATEGORY					EMPLOYEE SKILLS	
	A : Employee autonomy	B : Employee participation	C : Information sharing	D : Quality improvement	E : Teamwork design	F : Employee development	G : Flexibility	H : Performance-contingent	I : Results-oriented appraisals	J : Employment security	K : Internal promotion	L : Selective staffing
Company 01	3	3	1	2	2	5	4	1	2	1	2	2
Company 02	2	3	2	1	1	2	2	3	5	1	1	3
Company 03	4	2	3	4	3	1	3	1	5	0	0	1
Company 04	2	7	3	3	4	2	3	2	1	0	1	2
Company 05	3	8	5	5	4	2	1	4	0	0	1	2
Company 06	4	1	1	2	1	1	2	2	2	1	1	1
Company 07	5	4	4	3	4	2	3	1	0	1	0	1
Company 08	3	2	3	3	3	3	3	10	3	1	1	1
Company 09	4	1	4	4	5	4	4	2	1	0	3	1
Company 10	1	3	5	5	5	1	1	2	1	2	2	0
<b>Total Counts</b>	<b>31</b>	<b>34</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>23</b>	<b>26</b>	<b>28</b>	<b>24</b>	<b>7</b>	<b>12</b>	<b>14</b>

Table 1. Nvivo Matrix Coding Query (Organizational Values & Components of HPWS)

The results drawn from a small set of organizations are also demonstrated in a frequency distribution (see Figure 2.) The patterns are more forcefully shown in the chart such that that among the high performance work practices, processes regarding employee autonomy with 31 counts, participation and information sharing with counts of 31 and 34 respectively, quality improvement and teamwork design with equal counts of 32, as well as employee development

with 23 counts, flexibility and performance-based pay and result-oriented appraisals items with counts of 26, 28 and 24 respectively are integrated into and publicly announced within the value statements. The patterns with respect to HPWS categories of empowerment and motivation seem to be noticed and settled in the organizational value statements. Previous studies similarly showed that in relation-with the resource-based view, which posits that a firm achieves competitive advantage by creating superior human capital skills, experience and knowledge, encouraging employees through empowerment, autonomy, teamwork provides organizations with firm-specific capabilities that cannot be imitated (Huselid et al., 1997; Richard and Johnson, 2001). In addition, empowerment is also considered as an ‘intrinsic’ task motivation, which end up with greater employee initiative and motivation (Conger and Kanungo, 1988).

‘Selective staffing’ is one of the least frequently espoused key words within the organizational values of the sample of our study. One possible rationale for this loose display of the term can be explained by the concept of talent management as studies have found a relationship between HPWS and talent management (Berber & Yaslioglu, 2014; Maślanka-Wieczorek, 2014). Talent management itself can be considered as the identification and acquisition, development, retention of talent resources in order to achieve strategic objectives. There are contradictory perspectives to talent management as either ‘innate’ talent or ‘learned’ talent (Meyers, van Woerkom and Dries, 2013). The focus on selection and identification of talent may reflect the organizations’ concentration on the ‘innate’ perspective; whereas ‘learned’ perspective focus on the idea that people become who they are on the basis of the lessons they gain by experiencing and learning. The results seem to suggest that the sample of 10 organizations seem to more assert the training, learning and development of their employees, which may imply their orientation to the ‘learned’ perspective and it may be that they tend less to focus on the selection of the talent. In addition to that, focusing on recruiting talented applicants may hinder a high performance work culture (Maślanka-Wieczorek, 2014), as it may demotivate the current employees’ developmental orientation and motivation to learn and engage.

Another finding is with respect to the least frequent number of counts, for employment security and also for internal promotion (see Figure 2. Below). Not only recent but also previous studies have argued that promises with respect to employment security are being abandoned by the employers due to the competitive environments and are being replaced by the concept of ‘employability’, a form of an employment relationship the value of which depends on the usefulness to both employers and employees (Ghoshal, Moran & Bartlett, 1997; Thijssen, Van der Heijden, Rocco, 2008). Though requires further and deeper exploration, it might be one of the factors for why small set of organizations in this study even seem to keep themselves away from announcing the “long-term employment relationship” publicly. Another motive behind is that organizations and societies move away from the idea of an employer for life and employees are expected to pursue self-directed careers as they are held responsible from utilizing their advancement opportunities.

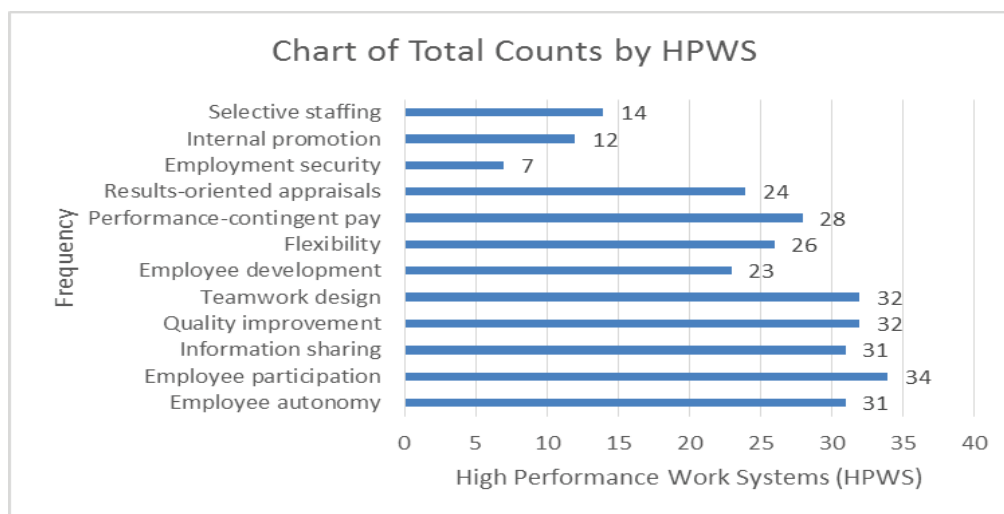


Figure 2. Chart of Total Counts by High Performance Work Systems

## 5. Conclusion

The results of the analysis indicate that the focal senior management publicly articulate and publicly announce quite many of their HPWS, which they claim to achieve- within their core value statements. Among the HPWS items, employee autonomy, participation and information sharing, quality improvement and teamwork design as well as employee development, flexibility and performance-based pay and result-oriented appraisals are articulated as the most frequent items within the organizational value statements.

As talent management is a very popular HR practice in today's organizations, it is not surprising that companies use such values in order to develop and retain the talent they need for achieving their high performance strategies. It is also interesting to find out that key words of HPWS, namely, "participation" and "autonomy" are emphasized in the organizational value statements. This is especially crucial for the attraction and retention of knowledge workers who put more emphasis on their individual goals and career ambitions than the organization's goals. That is, they are more committed to their occupations than to their companies. They will be more attracted to organizations and jobs which provide them with tasks they find meaningful as well as providing them with autonomy and initiative taking openings (Gümüslüoğlu & Karakitapoğlu-Aygün; 2010; Spreitzer, 1995). Consequently, organizations might need to consider providing them with opportunities to develop their intellectual capital and involve them in decision-making processes regarding strategic and operating outcomes (Gümüslüoğlu & Karakitapoğlu-Aygün; 2010).

Though the study has involved a small number of organizations which do not enable us to generalize the findings, this may support the thinking that the top management of these organizations explicitly announces the philosophy of a results-driven organization which focus on individual goal accomplishment. In addition, the encouragement for employees to take the initiative and participate in the decision-making process and to express their opinions and perceptions seem to be embraced by top management. From these aspects, this sample of organizations seem to resemble market and adhocracy cultures, in which the adhocracy culture is also the culture with the highest positive effect on performance (Naranjo-Valencia, Jimenez-Jimenez, and Sanz-Walle, 2015).

The keyword related to selection has been considerably less evident as espoused within the organizational value statements of the sample of our study. Though we have touched upon the issue from the contradictory perspectives on talent management- innate vs. acquired talent - talent management itself is an integrated broad process, which involves not only selection but also learning, development, retention processes of the employee pool and the idea to identify the talent might actually be ingrained in the explicit statements of with regard to employee empowerment and motivation.

Another finding is with respect to the least frequent number of counts for employment security is also worth considering for a possible reasoning that employment relationships are being in transformation from stable, long-term employment to a more dynamic, flexible, learning and growth oriented employment relationship that is, employability. Employability is the ability to be employed, which realizes the employment-performance relationship to be based on initiative, creativity, growth-orientation competencies of all employees; that enables organizations under dynamic frameworks to develop sustainable competitive advantage (Ghoshal, Boran & Bartlett, 1997). In consideration with the resource-based view, because it assumes static equilibrium in a stable environment with immobile resources, the disregard of the employment security, or may be the potential emphasis on employability for continuously changing dynamic environments may pose a theoretical deficiency for RBV. So it is not only the rarity, inimitability, the lack of substitutability and value of resources but also the renewability of the resources that may help foster sustainable competitive advantage.

The findings of this study might provide some clues with respect to the completely opposing implications of RBV. The sample organizations in general seem to be more assertive with respect to the implementation of human resource practices via their organizational values, which may indicate that these organizations may aim to develop organizational capabilities relevant to executing their HR systems with the ultimate objective of providing sustainable competitive advantage. Having valuable human capital is important for organizations; however it may be more important to effectively manage people by designing and implementing effective HR systems which can contribute to the development of a skilled human capital, through which a source of competitive advantage can also be achieved.



Whilst these values are explicitly announced by top management of many organizations in which employees are encouraged to adapt to the high performance culture, in some others what is communicated via value systems might not necessarily lead to employee commitment and satisfaction. This can create a tension and conflict between employees and management. If values become really prominent for organizational cultures, each human resource practice should be embedded into the organization's value system which have become the driving force behind for positive organizational performance.

This study has some limitations. First, the organizational values were collected from a number of only 10 MNCs based on convenience sampling, which does not render the generalizability of the findings possible. This study representing an initial effort, is aimed to be further worked upon by researchers via incorporating more number of organizations. Research can be conducted among organizations with domestic and foreign capital which will allow for benchmark studies between local and multinational organizations. Future research on this topic might also be concerned by expanding the number of MNCs for making a benchmark in HPWS utilization within organizational values on the basis of country-of-origin.

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