



The Role of Strategic Human Resource Management to Improve the Sustainable Fashion Industry in the Start-Up Perspective of Fashion MSMEs

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Abstract. This study explores the role of Strategic Human Resource Management (SHRM) in advancing sustainability within the fashion industry, particularly for Micro, Small, and Medium Enterprises (MSMEs). As sustainability awareness grows among consumers and businesses, MSME fashion startups face unique challenges due to limited resources. Using a quantitative approach with SEM PLS tools, the study collected data through questionnaires from fashion MSMEs and analyzed the relationship between SHRM and sustainable practices. The findings show that SHRM practices, such as recruiting employees with sustainability awareness, providing relevant training, enhancing communication on sustainability goals, and offering incentives aligned with sustainability, positively impact sustainability outcomes. Hypothesis testing confirmed that SHRM has a significant effect, with a t-statistic of 58.166 and a p-value of 0.000, indicating a strong, positive influence on sustainability in the fashion sector. The study highlights the importance of a strategic HR approach in supporting MSME sustainability goals, benefiting social, economic, and environmental aspects. It concludes that integrating SHRM into MSME fashion startups can enhance their competitiveness and contribute positively to the industry's sustainable growth. This research provides key insights for MSME leaders to implement HR strategies that strengthen both business and sustainability objectives.

Keywords: Strategic Human Resource Management, sustainable fashion industry, start-up, MSME.

INTRODUCTION

The fashion industry is one of the fastest-growing economic sectors but is also one of the most environmentally and socially impactful. In recent decades, awareness of the importance of sustainability in the fashion industry has increased significantly (Jan, M. T., de Jager, 2020). This phenomenon has encouraged the birth of the Sustainable Fashion Industry, a new paradigm in the world of fashion that emphasizes environmental, social and economic sustainability (Rezaei et al., 2021). Amidst the push to achieve sustainability in the fashion industry, the role of Strategic Human Resource Management (SHRM) is becoming increasingly important, especially in the context of Micro, Small and Medium Enterprises (MSME) startups in the fashion industry. Fashion MSME startups are often faced with big challenges in adopting sustainability principles due to limited resources and limited operational scale.

Strategic Human Resource Management (SHRM) is an approach to human resource management that focuses on aligning HR practices with the overall business strategy. In the context of fashion MSME startups, SHRM plays a critical role in overcoming various challenges, especially those related to limited resources (Ahmad et al., 2023). The following key aspects of SHRM help address these challenges, Fashion MSMEs often struggle to find the right talent to meet their business needs. SHRM assists startups in formulating more effective recruitment strategies, focusing on

identifying employees with both technical skills in fashion and an understanding of sustainable fashion trends (Tirno et al., 2023). Additionally, talent development through continuous training programs can enhance the workforce's ability to innovate and adapt to market changes.

One of the biggest challenges for MSMEs is limited resources for running business operations, including HR management. SHRM facilitates the integration of digital technology to automate several HR functions, such as recruitment, performance management, and payroll (Awan et al., 2023). This enables MSMEs to operate more efficiently and allocate their resources to other urgent business aspects. Startups often have dynamic organizational structures that evolve as the business grows. SHRM helps MSMEs create flexible organizational structures that allow employees to collaborate across functions and adapt to changing business needs. Through strategic HR management, fashion MSMEs can optimize the potential of a small but effective team to tackle market challenges.

Sustainable fashion refers to the practice of creating, producing, and distributing clothing in ways that minimize environmental impact and promote social responsibility throughout the entire lifecycle of a product (Kumar, 2018). In the context of Strategic Human Resource Management (SHRM), sustainable fashion integrates the principles of environmental sustainability and ethical labor practices into the management of human resources within fashion companies.

SHRM in sustainable fashion ensures that the workforce is aligned with the company's sustainability goals by promoting eco-friendly practices, fostering innovation in product design, and encouraging ethical labor conditions (Nart et al., 2024). This approach involves recruiting and developing talent that is not only skilled in fashion but also knowledgeable about sustainable materials, production techniques, and the importance of reducing waste. Furthermore, it encourages organizations to create a work culture that values sustainability, from resource conservation to fair wages and employee well-being (Felício et al., 2014). By integrating sustainable fashion into SHRM, companies can better navigate the challenges of the modern fashion industry, where there is increasing demand for environmentally responsible practices and socially conscious products. This strategic alignment not only enhances brand reputation but also contributes to long-term business viability and competitiveness (Alshura, 2017).

The application of SHRM in fashion MSME startups can be the key to strengthening and improving the Sustainable Fashion Industry. SHRM does not only focus on traditional human resource management, but also pays attention to how human resources can be agents of change in creating a sustainable work environment and promoting sustainability principles throughout the supply chain (Ida Ayu, 2021). However, despite its important role While SHRM in improving the Sustainable Fashion Industry is widely acknowledged, there is still a lack of literature regarding how fashion MSME startups in particular can apply SHRM principles to achieve sustainability goals. Therefore, this research aims to fill this gap by investigating effective SHRM strategies and practices in increasing sustainability among fashion MSME startups (Ahenkora, 2014).

Basically, the role of fashion MSME startups in encouraging sustainability in the fashion industry is becoming increasingly important in the context of a global economy that is increasingly integrated and developing rapidly. Although in some cases fashion MSME startups may have limitations in terms of financial resources and infrastructure, they have the flexibility and innovation needed to change the industry paradigm (Joshi, 2015). By applying the right SHRM principles, fashion MSME startups can create an organizational culture that encourages participation active in sustainability efforts (Raodatul Jannah, 2022). This includes integrating sustainability training into employee development, encouraging employee involvement in sustainability initiatives, and ensuring that sustainability values are reflected in every aspect of the company's operations.

Apart from that, fashion MSME startups can also take advantage of the competitive advantages possessed by small and medium scale businesses, such as flexibility in the supply chain, direct interaction with consumers, and the ability to respond quickly to market changes. By utilizing these advantages, fashion MSME startups can become pioneers in changing the fashion industry paradigm towards sustainability. Thus, research on the role of SHRM in improving the Sustainable Fashion Industry from the perspective of fashion MSME startups has significant relevance in the current context (Cabrita, 2009). By understanding the background and potential role of SHRM in the fashion industry, it is hoped that stakeholders, both at the local and global levels, can work together to create a more sustainable, inclusive and responsible fashion industry (Waseem, 2018). Fashion MSME startups have the potential to become strong agents of change in encouraging sustainability in the fashion industry. With creativity, innovation and entrepreneurial spirit, they can develop business models that are not only economically profitable, but also have a positive impact on the environment and society.

Through collaboration between fashion MSME startups, government, non-profit organizations and other private sectors, SHRM's potential role in improving the Sustainable Fashion Industry can be optimized (Cesário, 2017). This involves establishing strong partnerships, exchanging knowledge and resources, as well as developing regulations and

policies that support the sustainable growth of the fashion industry (Hadjri, 2015). Thus, a deeper understanding of the role of SHRM in the fashion MSME startup perspective is not only relevant for development of the fashion industry, but also to strengthen the contribution of the business sector to achieving global sustainable development goals. Through joint efforts, the Sustainable Fashion Industry can become a model for other industrial sectors in promoting inclusive economic growth, a clean environment and a prosperous society (Schaltegger, 2011).

Strategic Human Resource Management

Strategic Human Resource Management (SHRM) is a comprehensive approach to human resource management that aims to achieve the organization's long-term and strategic goals. In SHRM, human resource management is not only viewed as an operational function responsible for employee recruitment, training, and compensation, but also as a strategic partner that plays a role in creating competitive advantage (Nurcahyo, 2024). This approach involves integrating human resources with overall organizational goals and strategies. By focusing on employee development, meeting organizational needs, and improving overall performance, SHRM helps organizations to face business challenges, adapt to environmental changes, and achieve long-term competitive advantage (Hussain, 2020). Through this approach, SHRM becomes the foundation for strategic decision making related to human resources, which in turn supports organizational growth and success.

In addition, Strategic Human Resource Management (SHRM) also involves in-depth analysis of internal and external factors that influence an organization's success, including market trends, technology, regulatory changes, and industry dynamics. By deeply understanding the challenges and opportunities faced by organizations, SHRM helps in designing human resource policies and practices that are appropriate and responsive to the changing business environment. This includes developing incentive systems that encourage high performance, talent identification and leadership development, and creating an organizational culture that supports innovation, collaboration, and adaptability (Nurcahyo, Rachmawati, et al., 2024). Furthermore, SHRM also emphasizes the importance of managing diversity, inclusion, and equality in the work environment. By considering employee diversity in terms of background, abilities, and experience, SHRM helps create an inclusive and fair work environment, which in turn increases employee engagement and overall productivity (Achim, 2015). Overall, SHRM is not just about resource administration traditional human resources, but is a strategic approach that underlies all aspects of human resource management with the aim of supporting the organization's vision, mission and long-term strategy, as well as creating added value for all stakeholders (Kim & Jung, 2022).

Strategic Human Resource Management (SHRM) in the fashion industry plays a key role in ensuring a company's sustainability, innovation and competitive advantage amidst fierce competition and rapidly changing trends. In the context of the fashion industry, SHRM is not only concerned with traditional aspects of human resource management, but also emphasizes the peculiarities of this industry, such as creativity, product innovation, and flexibility. First of all, SHRM in the fashion industry involves the recruitment and retention of creative talent (Endratno, 2011). The fashion industry requires individuals with high creativity, extraordinary design skills, and a deep understanding of market trends (Qurrata et al., 2021). Therefore, recruitment and retention strategies must be designed in such a way as to attract and retain these talents, both in design, production, marketing and management. Second, employee development is also a main focus in SHRM in the fashion industry. Employee training and development must accommodate changing fashion trends, technology and market needs. Employees need to be provided with training on the latest design technologies, an understanding of the latest materials and production processes, and the management skills necessary to keep the business relevant and competitive (Midhat Ali et al., 2021).

Additionally, in a fashion industry that is often seasonal and prone to changing trends, effective performance management is also key. Continuous and structured performance assessments help identify high performers and provide feedback that enables further development (Guo, 2020). It also helps management to identify areas where employees need additional help or training. Strategic Human Resource Management (SHRM) indicators according to (Tannady et al., 2023) can vary depending on the industrial context, size of the organization, and the strategic objectives set. However, there are several general indicators that can be used to measure the effectiveness and success of SHRM implementation in an organization. Here are some examples of commonly used SHRM indicators:

1. **Level of Employee Engagement:** The level of employee engagement can be an important indicator in SHRM. High engagement indicates that employees feel connected to the organization's goals, contribute actively, and feel supported in their career development.

2. **Turnover Rate:** Employee turnover rate can reflect how well human resource management strategies are retaining key talent. If the turnover rate is low, it can indicate that the organization is successful in retaining valuable and competent employees.
3. **Skills Match:** The match between employee skills and job demands and organizational strategy is an important indicator in SHRM. Effective human resource planning must ensure that the organization has the right skills at the right time to achieve its strategic goals.
4. **Organizational Performance Level:** Overall organizational performance can be used as an indicator of SHRM's success. This includes achieving financial targets, market share, and other performance measures that are in line with the organization's strategic goals.
5. **Innovation Capability:** An organization's ability to innovate and adapt to environmental changes can reflect the effectiveness of SHRM. This is related to the availability of employees who are creative, flexible and solution-oriented.

Sustainable Fashion Industry

Sustainable Fashion Industry is a revolutionary paradigm in the world of fashion that emphasizes the importance of sustainability, environmental responsibility and social justice in the entire clothing and accessory production supply chain (Juwaheer, 2019). This concept emerged as a response to the long-overlooked negative impacts of the fashion industry on the environment and society. In essence, the Sustainable Fashion Industry emphasizes that beautiful and innovative fashion does not have to conflict with the principles of sustainability. Instead, the industry promotes the idea that fashion products can be made taking into account the social and environmental consequences of each production step (Laksamana, 2018).

In the Sustainable Fashion Industry, the materials used often come from environmentally friendly sources, such as organic, recycled or other sustainable materials. The production process is based on the principles of energy efficiency, wise waste management, and the use of green technology to reduce negative impacts on the environment. Apart from that, social aspects are also the main focus of the Sustainable Fashion Industry. The industry advocates for fair working conditions, respected workers' rights, and a transparent approach throughout the supply chain, from factories to retailers. This includes decent pay, safe working conditions, and equal employment opportunities for all individuals in the industry (Tlapana, 2023). Not only that, the Sustainable Fashion Industry also aims to increase consumer awareness about the impact of their choices in choosing clothing. Consumers are encouraged to choose environmentally friendly products, support labels committed to sustainability, and participate in the movement towards more responsible fashion.

Thus, the Sustainable Fashion Industry is not just a trend, but a paradigm shift that emphasizes the importance of changing the way we understand and interact with the world of fashion (Zuñiga-Collazos et al., 2020). This industry is not just about producing beautiful products, but also about ensuring that fashion can be a positive force driving change towards a more sustainable and inclusive future for all. In the Sustainable Fashion Industry, innovation and design also play an important role (Guo, 2019). Fashion designers and manufacturers are given the challenge to create products that are not only aesthetic, but also take into account environmental and social impacts from the beginning of the design process to the end of the product being marketed (Farook & Abeysekara, 2016). This includes the use of new technologies, innovative production techniques, and more efficient design approaches to minimize waste and resource consumption. In addition, education and collaboration are also important pillars in the Sustainable Fashion Industry (Nurchayo, Rachmawati, et al., 2024). Public education and awareness initiatives are needed to change consumer perceptions and behavior and to form a future generation that is more environmentally and socially conscious. Collaboration between various stakeholders, including government, industry, non-profit organizations, and civil society, is necessary to create comprehensive and sustainable solutions to the challenges faced by the fashion industry (Choudhury, 2014).

By integrating the principles of sustainability, social justice, innovation and collaboration, the Sustainable Fashion Industry not only creates opportunities to build commercially successful businesses, but also to change the paradigm of the industry as a whole. This is an important step towards creating a fashion industry that is more responsible, inclusive and sustainable for future generations. The Sustainable Fashion Industry Indicator is a tool used to measure the extent to which the fashion industry adheres to sustainability principles throughout its supply chain (Rath, 2015). The following are several examples of indicators that can be used to evaluate the progress and impact of the fashion industry on the environment and society:

1. **Use of Environmentally Friendly Materials:** This indicator includes the percentage of raw materials obtained from sustainable sources, such as organic, recycled, or alternative materials that have a lower environmental impact.
2. **Energy Efficiency and Water Use:** Measures energy and water use in the production process to assess the extent to which the fashion industry is adopting environmentally friendly and sustainable practices.
3. **Waste Reduction:** This indicator measures the amount of waste generated during the production process as well as efforts to recycle and reduce this waste.
4. **Carbon Footprint:** Measures the carbon footprint of the entire supply chain, including production, transportation, and distribution, to assess greenhouse gas impacts.
5. **Consumer Awareness:** Measures the level of consumer awareness and understanding of sustainability issues in the fashion industry, as well as their shopping behavior related to sustainable products.

Using these indicators, the fashion industry can measure their progress towards sustainability, identify areas where improvements are needed, and develop more effective strategies to achieve their sustainability goals.

Hypothesis Development

The Influence of Strategic Human Resource Management on the Sustainable Fashion Industry

The influence of Strategic Human Resource Management (SHRM) on the Sustainable Fashion Industry is very significant in promoting sustainability, innovation and social responsibility throughout the fashion industry supply chain. SHRM plays an important role in changing the traditional paradigm of human resource management to a more strategic and sustainability-oriented approach. First of all, the implementation of SHRM allows fashion companies to recruit, develop and retain sustainability-conscious talents. By prioritizing sustainability values in the recruitment process, companies can attract individuals who are committed to contributing to the development of a more environmentally and socially friendly fashion industry. Furthermore, SHRM helps in developing an organizational culture that supports sustainability (Pieroni, 2019). By strengthening the company's commitment to sustainability values through clear communication, training, and rewards, this culture encourages employees to adopt sustainable practices in every aspect of their work. Additionally, SHRM plays an important role in developing employee sustainability-related skills and knowledge

. Training and development focused on sustainability principles allows employees to understand the impact of their business decisions and identify opportunities for sustainable innovation (Todeschini, 2017).

Not only that, SHRM can also establish an incentive system that encourages sustainable behavior. By providing rewards and recognition to employees who contribute to the achievement of the company's sustainability goals, this incentive system stimulates individual motivation to behave responsibly within the scope of their work. Overall, SHRM's influence on the Sustainable Fashion Industry creates a work environment that supports innovation, responsibility, and sustainable growth (Zaid, 2024). By implementing a strategic approach to human resource management, fashion companies can become agents of positive change in promoting sustainability in their industry and inspiring positive change in society as a whole.

MSME startups have the potential to become powerful agents of change in the fashion industry, especially when they apply SHRM principles effectively. First of all, fashion MSME startups that implement SHRM can become centers of innovation in developing sustainability solutions (Nurcahyo, Widagdo, et al., 2024). With its creativity and flexibility, MSME startups can find new ways to produce environmentally friendly clothing, use recycled materials, or reduce production waste. Then, SHRM enables MSME startups to build a strong organizational culture based on sustainable values. By encouraging collaboration and active employee participation in sustainability efforts, MSME startups can create a work environment that supports sustainable company growth (Younis, 2023).

Furthermore, SHRM helps fashion MSME startups manage human resources efficiently, especially in the context of limited resources that new companies often have. By identifying employee needs, providing relevant training, and optimizing the organizational structure, MSME startups can maximize the potential of their employees in supporting the company's sustainability mission. The use of SHRM also allows MSME startups to attract and retain talent who are committed to sustainability (Adams, 2012). By offering a dynamic work environment and exciting career development opportunities, MSME startups can be an attractive place for individuals who are passionate about contributing to positive change in the fashion industry. Thus, SHRM's influence on the Sustainable Fashion Industry

is also through the role played by MSME startups fashion (Aftab, 2023). By applying SHRM principles, MSME startups can become pioneers in changing the fashion industry paradigm towards greater sustainability and inspire positive change in the industry and society as a whole.

H1: Strategic Human Resource Management has a significant effect on the Sustainable Fashion Industry

METHOD

Using the method of strengthening or rejecting theories or hypotheses from previous research, this research aims to test the hypothesis. The type of research applied in this framework is " *Explanatory research*" or research that is explanatory. Therefore, this research emphasizes the relationship between research variables by conducting hypothesis testing. Although there is description in the research, the main focus is on the relationship between variables. Population, according to Sugiyono's (2012) definition, is a general area consisting of subjects or objects with special qualities and characteristics determined by the researcher to be studied and then drawn conclusions. In this research, the population consisted of Star UP UMKM Fashion Industry Owners in Semarang City. The sampling technique used was a census, where the entire population was directly sampled, so the number of respondents was 30 people. This census sample is also known as a saturated sample, namely a sampling technique where the entire population is sampled (Riduwan, 2010:64).

The use of Structural Equation Modeling - Partial Least Squares (SEM-PLS) is advantageous because it allows for the analysis of complex relationships between multiple variables, even with small sample sizes and non-normally distributed data. SEM-PLS is particularly suitable for exploratory research where the focus is on identifying key drivers and testing theoretical models in emerging fields, such as sustainability in fashion. It enables researchers to simultaneously assess measurement models (validity and reliability of constructs) and structural models (relationships between constructs), providing a more comprehensive understanding of the factors that influence outcomes. Additionally, SEM-PLS is flexible, handling both reflective and formative constructs, making it ideal for studies that explore new or evolving phenomena. The distribution of samples of MSME startups in the fashion sector in Semarang City is quite varied, reflecting the rich culture and creativity in the city. The following is a narrative regarding the distribution of a sample of fashion MSME startups in the city of Semarang: Along the busy streets in the center of Semarang, there are various small shops and boutiques that are home to vibrant fashion MSME startups. Some of them can be found around the Jalan Pandanaran area which is famous for its variety. Here, young entrepreneurs run their businesses with great enthusiasm and creativity. Not far from there, in the Kota Lama area, a number of small workshops and design studios are a place for developing new ideas in the world of fashion. Young designers and textile craftsmen work hard to create unique products that reflect the beauty and unique culture of Central Java.

RESULT AND DISCUSSION

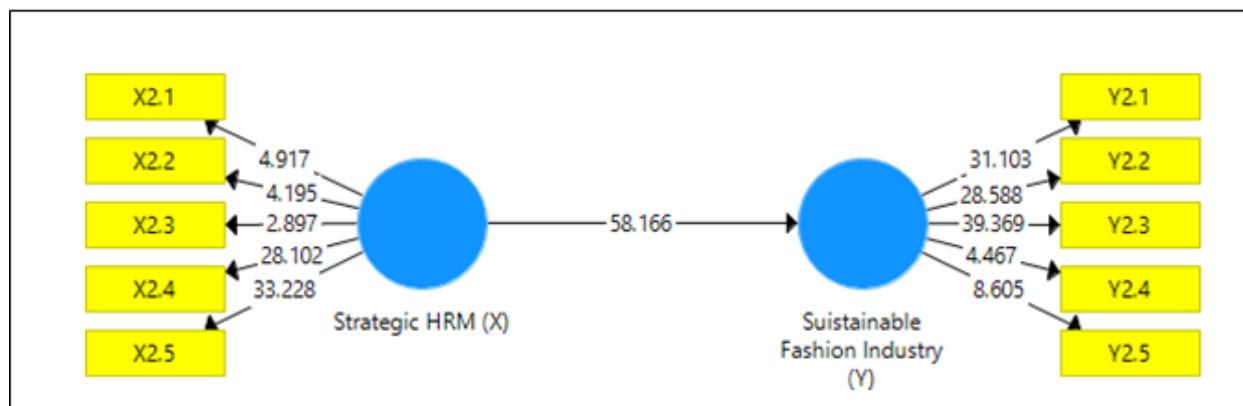


FIGURE 1. Structural model testing.

TABLE 1. Hypothesis testing.

	Original	Sample	Standard	T Statistics	P	Conclusion
	Sample (O)	Mean (M)	Deviation (STDEV)	(O/STDEV)	Values (Sig.)	
Strategic HRM >Sustainable Fashion Industry	0.903	0.907	0.100	58,166	0,000	Significant Positive

Hypothesis testing is carried out after fulfilling the data quality test requirements or when indicators that do not meet the requirements have been removed from the model. Hypothesis testing conditions are carried out with a significance probability level (α) = 0.05. Acceptance of the hypothesis is carried out when the t value statistics > t value table, namely 1.96 (for $p < 0.05$). The direction of hypothesis testing is indicated by the *original sample value*. It can be concluded that Strategic Human Resource Management has a positive and significant effect on the Sustainable Fashion Industry with a t statistic of 58.166 and a p value of 0.000, less than the significant standard of 0.05

Strategic Human Resource Management (SHRM) plays a pivotal role in driving the sustainable fashion industry by aligning human resource practices with sustainability goals (Jan, M. T., de Jager, 2020). Through SHRM, companies can integrate environmental and ethical principles into their HR policies, fostering a workforce that is not only skilled in fashion but also committed to sustainable practices. SHRM ensures that talent acquisition, training, and development focus on sustainability, such as knowledge of eco-friendly materials, sustainable production techniques, and waste reduction strategies (Chen et al., 2021). Moreover, SHRM supports the creation of a work culture that values ethical labor standards, fair wages, and employee well-being, which are essential components of the sustainable fashion industry. By strategically managing human capital, SHRM enables companies to innovate in product design, streamline production processes to reduce environmental impact, and enhance brand reputation (Fawehinmi et al., 2020). In turn, this strategic alignment helps fashion companies achieve long-term competitive advantage while meeting the growing consumer demand for socially and environmentally responsible products.

So These results indicate that the implementation of a good and well- planned human resource management strategy in the sustainable fashion industry has a positive impact in maintaining business sustainability, both from social, economic and environmental aspects (Sharit et al., 2008). By managing human resources effectively, companies in the fashion industry can create an inclusive work environment, support innovation, and promote environmentally and socially responsible business practices (Pham & Gammoh, 2016). that the Sustainable Fashion Industry is not only about environmentally friendly products, but also about paying attention to social welfare, ethical production and responsible business practices. In this context, the role of human resource management not only influences the company's financial performance, but also shapes the company's image in the eyes of consumers and society as a whole.

By strengthening employee engagement, empowering them to innovate, and creating an inclusive and sustainable work culture, companies in the fashion industry can become agents of positive change in creating a more sustainable and responsible industry (Tanaya Nayak et al., 2010). In addition, these findings also highlight the importance of further research in understand the dynamics of the relationship between Strategic Human Resource Management and the Sustainable Fashion Industry, as well as the implications for various aspects of business and society more broadly. Thus, these conclusions form the basis for developing policies, strategies and best practices in advancing the fashion industry towards a more sustainable and inclusive direction.

CONCLUSION

Based on the findings that Strategic Human Resource Management has a positive and significant effect on the Sustainable Fashion Industry with a statistical t value of 58.166 and a p-value of 0.000 which is less than the significance standard of 0.05, it can be concluded that:

1. Research confirms that strategic human resource management has a very important role in supporting the sustainability of the fashion industry. A good HRM strategy can help build a team that is skilled, trained and committed to sustainability principles.

2. Strong involvement in human resource management has a direct impact on company performance in the Sustainable Fashion Industry sector. Companies that prioritize HRM aspects are able to create significant added value, both from a financial and social perspective.
3. Sustainable Fashion Industry is not only concerned with environmentally friendly products, but also pays attention to social and ethical aspects of production. Effective human resource management can help create a corporate culture that supports sustainability principles holistically.
4. These findings provide a foundation for the development of more sustainable and responsible policies, strategies and business practices in the fashion industry. This underlines the importance of strengthening HRM aspects in achieving sustainability goals.
5. To enhance Strategic Human Resource Management (SHRM) and adopt sustainable fashion practices, MSMEs (Micro, Small, and Medium Enterprises) should integrate sustainability goals into their HR policies by recruiting and developing talent that understands eco-friendly principles. Investing in regular training on sustainable materials and production techniques empowers employees to contribute to innovation and ethical practices. Additionally, leveraging digital tools can streamline HR processes, allowing more focus on sustainability initiatives. Promoting a culture that values sustainability encourages employees to participate in reducing waste and energy consumption. Finally, collaborating with sustainable fashion networks can provide valuable resources and insights, helping MSMEs strengthen their market position while meeting the growing consumer demand for ethically produced fashion.

CONCLUSION

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