

EXPLORING COMPETITIVE ADVANTAGE IN A REGIONAL COMMUNITY CONTEXT

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Abstract It has become apparent in recent years that those at the coalface of economic development need to understand and appreciate the forces that influence the business decisions that affect each and every one of us (McLaren and Rowe, 2013). An understanding of globalisation and the fundamentals of competitive advantage are necessary because they directly influence corporate location decisions. A local economic development practitioner needs to grasp these essential concepts in order to influence, develop and adopt a strategy that is specifically designed for his or her local area. This article reviews the key concepts of competitiveness, globalisation and global cities, and develops a framework for understanding competitive advantage from the local economic development perspective. Against this background, we investigate the value of developing a solid business strategy, and consider why competitive advantage should be an integral component of strategic planning.

1. INTRODUCTION

Most people do not associate competitive advantage with strategic business planning. We believe that communities need to rethink how to leverage competitive advantage by approaching the problem from a business planning perspective. According to Deimler and Stern (2006), strategy is one of the most used and abused words in the business world. Bruce Henderson captured the concept when he observed that:

“All competitors who persist over time must maintain a unique advantage by differentiation over all others. Managing that differentiation is the essence of long-term business strategy” (Deimler and Stern, 2006).

Michael Porter also makes the link between strategy and competitive advantage who when describing strategy states that:

“Strategy attempts to achieve sustainable competitive advantage by preserving what is distinctive about the company. It means performing different activities from rivals or performing similar activities in different ways” (Porter, 2011).

Using strategy for gaining a competitive advantage is not new, history informs us that strategy and competitive advantage has its origins with Sun Tzu, Alexander the Great and other great military leaders, and was then grounded in winning battles and wars both on land and at sea. If we consider where strategy originated, the fundamentals are about influencing the end state or simply winning.

The notion of creating shared value is that the competitiveness of a company and the health of the communities around it are mutually dependent, it could be argued that economic development practitioners have understood this concept of strategic development for some time especially those at the front line of regional or community economic development. These same practitioners also appreciate the value of collaborations as a tool for stimulating or creating economic action in a community. Porter and Kramer (2011) expanded this concept when they stated that:

“Shared value creation will involve new and heightened forms of collaboration. While some shared, value opportunities are possible for a company to seize on its own, others will benefit from insights, skills, and resources that cut across profit/nonprofit and private/public boundaries.”

Essentially adopting a shared value strategy moves the enterprise business operations boundaries from a commercially defined place to an economic development landscape that is inclusive of the community, region or nation.

The Sun Tzu approach of two forces—the Zheng element, which fixes the enemy in place, and the Qi element, which flanks or encircles the enemy, either actually or psychologically—is still a relevant fundamental principle today. The Zheng (ordinary) force is direct and more obvious, while the Qi (extraordinary) is indirect, unexpected, distracting, or unorthodox. Using both elements ensures that decisive blows will fall where the enemy does not anticipate them, and is least prepared. Alexander the Great adopted a similar approach when faced with a far greater enemy he took the Qi

element and flanked the opposing army and divided it. If we consider these basic strategies to gain an advantage in today's business context we find these principles are still valid and used by organisations around the globe.

By 1805, Napoleon had conquered much of Europe and was planning to invade England (Rumelt, 2011). Before he could invade, he had to gain control of the seas over the British in order to cross the channel with some certainty. Off the coast of Spain, the combined Spanish and French fleet of 33 ships met the smaller British fleet of 27 ships. The accepted battle tactics of the day were to stay the line and bombard the opposing fleet with broadside shells. However, Nelson who had some strategic insight split the fleet into two columns and drove them at the opposing fleet hitting the line perpendicularly, betting on the resulting confusion and the more experienced British captains. Nelson won the battle of Trafalgar with the Franco-Spanish fleet losing 22 ships and no losses for Nelson. Nelson was fatally wounded but became one of Britain's great naval heroes.

Consequently, many of us fully understand the agricultural and industrial age with the advantage of hindsight and history (see Figure 1 below). However, the information and consciousness ages present some challenges, mostly because we are never quite sure which age we are in, we need the wisdom of hindsight to determine that and both of these are quite intangible. With the industrial age, we built and manufactured goods that were bought and sold, we touched it, photographed it and transported it around the world. These two new ages are soft in nature because they were not built or manufactured. The entire theatre of competitive battle has moved not only to another paddock but to another farm and this affects or influences every part of our lives today, from the goods and services we buy to the places we visit. This in turn affects communities as they need to attract visitors, investment and residents.

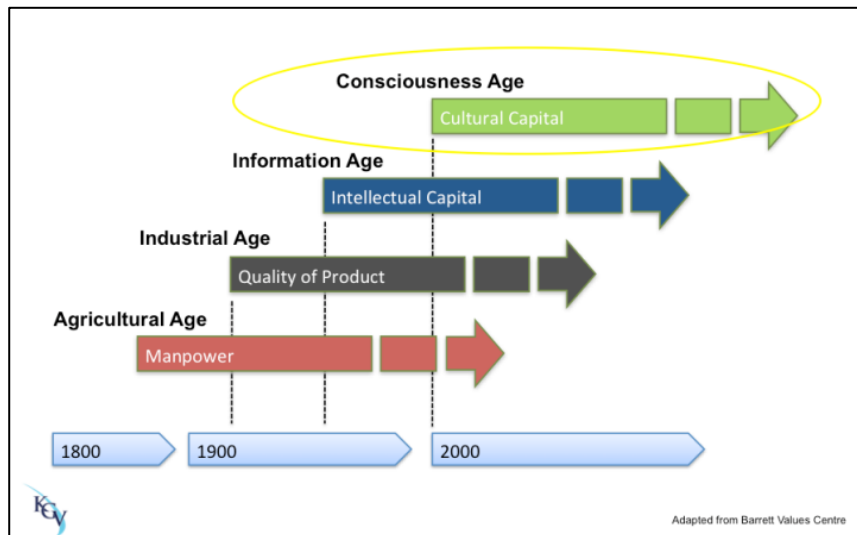


Figure 1. Evolution of Competitive Advantage.

2. COMPETITIVENESS

The concept of competitiveness has grown significantly in the past decade (Kitson *et al.*, 2004; Malecki, 2002, 2004) and is particularly important for local economic development because many view it as the path to economic prosperity (Camagni, 2002, p. 2395). While prominent economists such as Paul Krugman (1996a; 1996b) have been highly critical of the current fashion of promoting competitiveness, arguing that it is nothing more than ‘mercantilism in sheep’s clothing’ and, thus, a threat to free trade, others disagree. Michael Porter (1998), in his seminal study of competitive advantage, deplores the lack of attention to competitiveness in standard international trade theory and suggests that economic analysis is diminished by the lack of research in this area. He criticises Krugman for his narrow view of competitiveness as an attribute of companies, not of cities, regions, countries or continents.

The vagueness of the concept of global competitiveness is open to multiple interpretations and has led to confusion in the policy debate (Francis, 1989; Polenske, 2004); if only because so many policy initiatives are undertaken in its name. It is important to appraise the different senses in which the term *competitiveness* is used. At one level, it is equated, usually loosely, with the *performance* of an economy as an absolute

measure. At another, because it relates to competition and it implies a comparative element, it is equated with the implication that to be competitive, a city has to undercut its rivals or offer better value for money (Begg, 1999). Rowe (2012, p. 75) has argued that measuring the performance of the economy may be a useful indicator of its competitiveness, but it is fundamentally flawed as an indicator or criterion for assessing the effectiveness of an economic development strategy.

In attempting to explain the determinants of competitiveness, Kresl (1995) argues for a dichotomy between what he calls *economic* determinants (factors of production, infrastructure and similar) and *strategic* determinants which include policy factors and institutional design. According to Malecki (2002; 2004), the competitiveness of places (localities, regions and nations) refers to the ability of the local economy and society to provide an increasing standard of living for its inhabitants. The preoccupation with competitiveness and the predilection for its measurement is premised on certain pervasive beliefs; most notable that globalisation has created a world of intense competition between regions (Raco, 2002). As a result of this competition, many cities and regions copy 'best practice' strategies from other areas in an effort to become more competitive.

This competition has also led to a proliferation of rankings. For example, Auckland has recently been ranked the fifth best city in the world for liveability by the Mercer Index (Walsh, 2003). Unfortunately, such comparisons rely on subjective criteria that often fail to 'compare apples with apples'. Many United States communities such as Lexington, Kentucky and Columbus, Ohio develop elaborate strategies to place well on the *Money* and *Fortune* magazine's popular urban liveability rankings (McCann, 2004, p. 1910). Rankings and their development and use in the policy process can be analysed in the context of the neoliberal shift towards a view of cities as fundamentally competitive entities and consumption spaces (Malecki, 2004, p. 1107; McCann, 2004). As a result, in order to score well, communities generate their own policy space instead of developing innovative initiatives to solve local problems.

Consequently, the quest for better rankings has seen the emergence of decontextualised *copy-cat* policies that fail to achieve their long term economic development goals. In this context, contemporary urban growth coalitions find themselves challenged with balancing their need to learn from best practices while avoiding uncritically copying other cities' policies (Harvey, 1989; McCann, 2004, p. 1922). As a result, "cities look[ing] for best practice [often] end up imitating each other" (Evan, 2003, p. 417). Many cities, such as Wellington, developed its vision of the

future based on the work of Richard Florida (see Perry, 2011). Florida examined the factors that encouraged creativity and found that social and ethnic diversity were key ingredients (Florida, 2002, p. 745).

There is some evidence that new immigrants do add taxes and skills to the local labour pools. However, there are the social drag effects of newcomers as well. The notion that the *best and brightest* human resources are the most likely to move to a new nation, in the current world economic and political situation, may not be necessarily correct. It has been shown that the mere presence of *creative people* is not enough to sustain a creative urban area for the long term (Scott, 2006, p. 11).

Despite the criticisms, Florida has argued that regional development strategies should be about attracting and retaining creative people. Yin (2002/2003) suggests that Florida's concepts only apply to metropolitan areas of over 1 million people. If the population thresholds are correct, then it would appear that smaller metropolitan regions and rural areas are destined to remain backwaters of the new economy (SGS Economic and Planning, 2004, p. 7). Therefore, according to Rainnie (2005, p. 8), the "only future for these areas is to accommodate the lifestyle or leisure pursuits of the *burnt out* beautiful people". In the New Zealand context, based on Yin's assumptions, only Auckland has the population base to cross the digital divide and enjoy the benefits of the creative class. Florida's creative people are *human capital* that should be imagined as a flow of creative migrants. His research examines the factors that shape or influence the flow by attempting to determine the divergent levels of human capital across regions (Florida, 2006). This flow can be related to the movements within *nomadic space* and the concept of *reterritorialisation* (Colebrook, 2005, p. 182).

3. GLOBALISATION

The definitions of globalisation in the literature remain largely elusive, vague and 'chaotic'. Globalisation is the involvement, at a day-to-day level, of firms, people, and communities with the rest of the world through global networks or a web of connections (O'Conner *et al.*, 2001). As a result, one cannot define *globalisation* as concrete processes of socioeconomic and political restructuring on a global scale without underscoring the ideological foundations on which these processes operate (Yeung, 2002, p. 288). It can, however, be defined as the rapid proliferation of crossborder production, trade, and investment activities, spearheaded by global corporations and international financial institutions that facilitate

the emergence of an increasingly integrated and interdependent global economy seeking to maximise financial returns (Yeung, 2002, p. 289).

Globalisation is associated with increasingly complex circuits of capital and an increasing flexibility in the response to changes in its state of equilibrium. It enhances capital's capacity to defer and displace its internal contradictions by increasing the scope of its operation on a global scale. As a result, the world economy is being reshaped by a complex dialectic of globalisation and regionalisation. This has made it more difficult for national states to control economic activities within their borders, let alone global capitalist dynamics. This has led to an increase in the unstructured complexity of the economy on a world scale and has triggered attempts to change existing global smooth space into one that is controlled and regulated, i.e. striated space.

Olma (2001, p. 116) has even asserted that "contemporary mainstream discourse of social science has come to be called globalisation ... and that capitalism has 're-invented' itself in the form of globalisation". In giving support to this claim, Jameson (1991, p. xiv) argues that one of postmodernism's tasks is to coordinate new forms of practice with new forms of economic production and organisation. David Harvey (1989) has also suggested that postmodernism is the cultural form associated with the more flexible modes of capital accumulation and a new phase of space-time compression which has emerged in response to the crisis of the Fordist regime of capitalist accumulation. This is noteworthy because according to Zizek and Daly (2004, p. 149) "capitalism is becoming a problem again... [T]he honeymoon of globalisation, which lasted through the 90s, is coming to an end... which points out that people are again perceiving capitalism as a problem". In the context of this article, Zizek and Daly are articulating that the forces of globalisation are shaping local economies and are being perceived as a problem because local people have so little control over the process.

To further explain globalisation, Jessop and Sum (2000) coined the term *glurbanisation* and borrowed the term *glocalisation* from Swyngedouw (1997, p. 170). The former refers to entrepreneurial strategies that are designed to create a local, regional or national state strategy that builds global advantage by restructuring urban spaces to enhance international competitiveness. Cities that seek to enhance their place-based dynamic competitive advantages to capture certain types of mobile capital and to fix local capital in place (Jessop, 2000; Jessop and Sum, 2000) are better positioned to succeed. Economic globalisation is therefore associated with such rescaling effects as global localisation, or *glocalisation* and changing urban/regional governance. The latter term, *glocalisation*, is concerned

with establishing a geographically concentrated interfirm division of labour (Jessop and Sum, 2000, p. 2294). It refers to a firm's strategy to build global advantage by exploiting local differences. It supplements market exchange and government hierarchy with institutionalised negotiations to mobilise consensus and build mutual understanding.

To paraphrase Marston *et al.* (2005, p. 425) globalisation is composed of "dynamic collections of potential force relations and movements". A globalised community can be visualised as being anchored in an "ontology in which the world is made up of billions of ... encounters ... consisting of multitudinous paths which intersect" (Thrift, 1999, p. 302), and a "situated epistemology which recognises [the] very strong limits on what can be known and how we can know it" (p. 302) owing to the multiplicity of its inter-connections.

As Harvey (1969, p. 208) notes, "much of the philosophy of geography ... stems from a container view of space which is particularly associated with concepts of Newton and Kant". Harvey (1989) later advocated for a meta-theoretical engagement with globalisation which was subsequently criticised for generating the "illusion that [the meta-theory] stands outside, not in, the world" (Morris, 1992, p. 275). Such a view has led some scholars to embrace poststructuralism and Actor Network Theory (ANT) to establish how hybridity and identities of actants are relationally constituted via different varieties of networks (Yeung, 2005, p. 41). These networks as part of the globalised world offer a useful means of understanding the increasingly complex milieu of interconnections and transterritorial transactions (Chesters and Welsh, 2005, p. 204).

Globalisation's deterritorialisations tend to weaken the national state in advanced capitalist societies and, according to Deleuze, capitalism in its current phase has co-opted the state and reduced it to an arm and instrument of market forces. Capitalism today has the character of an "international ecumenical organisation" that eludes the control of states. Capitalism, is thus, "an independent, worldwide axiomatic that is like a single city, a megapolis ... of which the States are parts or neighbourhoods" (Deleuze and Guattari, 1987, pp. 434-435). "Never before," writes Deleuze and Guattari (1983, p. 252), "has a State lost so much of its power in order to enter with so much force into the service of the signs of economic power". According to Harvey (1985) the concept of *institutional thickness* introduced by Amin and Thrift "hold[s] the key to understanding the working of the global economy". It involves a plethora of organisations that interact intensively, generating shared understandings and developing mutual awareness of being involved in a common project to promote and sustain local or regional economic development. Local development

policies and practices are thus central to the regulatory milieu of regional economies and the creation of stabilised 'structured coherence'. Participation in the globalised economy may be fluid along emerging *lines of flight* that are informed, motivated and aspirational. In practical terms, the process involves imaginaries, inventions and experimentation.

4. GLOBAL CITIES

The terms *world cities* or *global cities* have come to denote upwards of thirty urban centres which are connected in a network that spans the globe as the skeleton of the globalised economy (Beaverstock *et al.*, 2000). The profusion of definitions for these cities are *indistinguishable* because of the "undecidability of [its] meaning, the constitutive power of discourse and the political effectivity of theory and research" (Gibson-Graham, 2000, p. 95). In our opinion, global cities should be seen as "a partially connected multiplicity which can only ever be known partially and from multiples places" (Thrift, 1997, p. 143) because global cities are "assemblages of more or less distanced economic relations" (Amin and Thrift, 2002, p. 52) that extend well beyond their borders.

Such world cities are places where this newly globalised economic world has a tangible, concrete reality (Carroll, 2007). Global flows of capital and labour move through world cities, and are controlled from them through an integrated world capitalist system (Guattari, 2000). This gives civil society and politics in such places a specific role: they are not just products but also producers of these sets of seemingly universal power. Because of this, global cities pose the challenge of a *governance of complexity* (Keil, 1998, p. 617).

Global competitiveness in the urban context of rhizomatic networks has been decoded in the notion of the *global city*. Early writings in the world city literature dealt with the attributable dimensions of cities, in particular how much power they possess vis-à-vis each other. Friedmann (1978, p. 329) for example, treats power as a 'stock of resources' to be used instrumentally as 'power over' others. In contrast, Sassen (2000, p. 51) observes an emerging 'transnational urban system' with inter-city relations that transcend simple competition. Smith and Doel (2007) offer a more poststructuralist interpretation by suggesting that "global cities need to be re-conceptualized *as* (not, *in*) networks: always connecting, associating, affecting and being affected".

This is consequential because global cities exist as multiples of complex interconnections and are not isolated single centres of activity. This implies that an aspiring global city such as Auckland has to be connected to other

major cities, such as Sydney and Melbourne, via air and sea transportation, telecommunications, etc. and more importantly be a financial and business centre, competing with and complimentary to, the other centres as a precondition to joining the ranks of global cities (Rowe, 2006).

In Australia, the federal government pushed for national competitiveness with the National Competition Policy. The New South Wales government articulated the competitive city discourse and strongly advocated for Sydney to graduate to *global city status* through a series of position papers and strategies. This discourse can be articulated from a neo-Gramscist perspective as:

“The institutional landscape in a discursive field where stories of past, present and future create and dissolve economic activity and opportunity. In this sense, we argue for a consciousness about the metaphors devised to represent institutions within economic territories and consciousness that requires understanding of the close links between text, discourse and social change” (O'Neill and McGuirk, 2005, p. 289).

This developed into a conscious agenda for seeking global city status. There was a growing recognition of Sydney's position as a strategic site in the transformation of the Australian national economy, and a significant transition from government to governance and toward entrepreneurial politics. Thus, it became a self-fulfilling prophesy (McGuirk, 2004, pp. 1026-31).

The laws, principles and approaches of economic development have moved and changed over time down through the ages as detailed in Figure 2. As society moves through the eras their perception and interpretation of economic development and the appropriate response changes with the environment around them and economic forces influencing them at the time.

5. THE NOTION OF STRATEGY AS IT RELATES TO LOCAL ECONOMIC DEVELOPMENT

Strategy according to Pfeffer and Sutton (2006) is the most used and misunderstood concept in the world of business and commerce. In Figure 2 below are three views of competitive strategy from the recognised gurus of the subject. The common theme with all of these are the ability to visualise, plan and execute a plan of action that produces an advantage,

whether that advantage is in a theatre of war, the global competitive market place or a localised market.

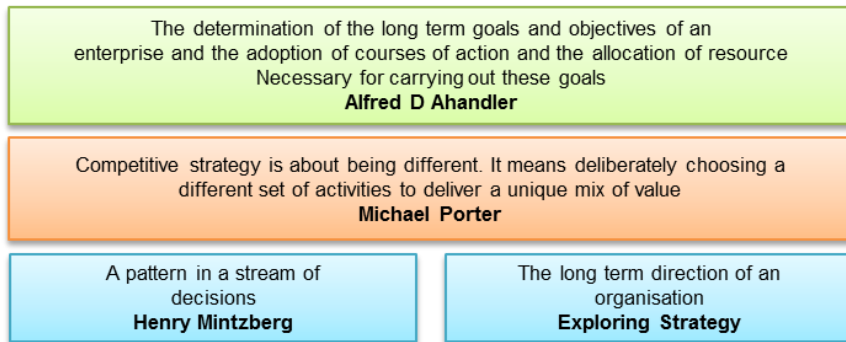


Figure 2. Competing View of Competitive Strategies. Source: Designed by the Authors.

To put strategy into a context with this discussion we will consider the height and breadth of the strategic function. Johnson *et al.* (2011) view the strategic function through two planes as shown in Figure 3 below. This approach demonstrates that strategy or gaining a competitive advantage touches all sections of an enterprise.

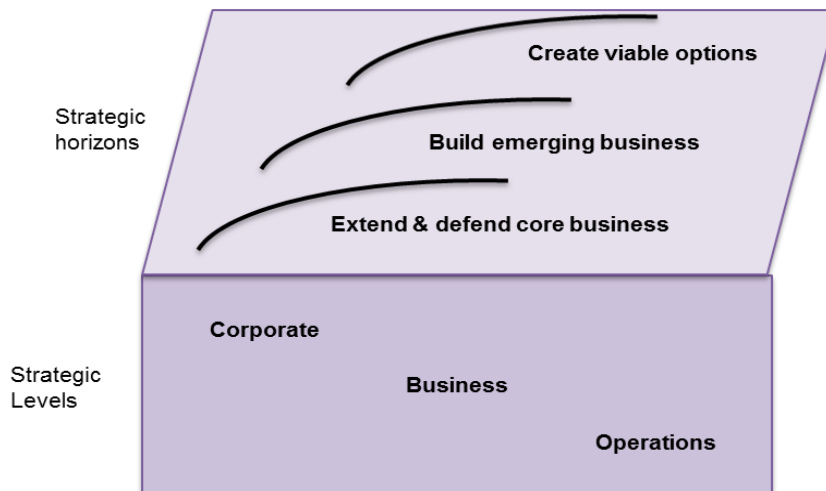


Figure 3. Two Planes of Strategic Function. Source: Johnson *et al.* (2011).

Continuing this line of reason then we can assume that creating a community competitive advantage touches and or relies on the whole community to be committed to the developed an agreed strategy that delivers the competitive advantage that is being sought.

Before launching into community competitive advantage we need to define what a community is, to be able to consider competitive advantage or the strategies that create this state. The Cambridge Dictionary definition of a town or community is:

“a place where people live and work, containing many houses, shops, places of work, places of entertainment, etc., and usually larger than a village but smaller than a city”

A regional community is a cluster of worlds and around each world there are smaller nations, for example around a natural resource world may be a tourism industry (see Figure 4 below). There could also be an agriculture or mining industry. In our model, the manufacturing sector may surround the infrastructure world.

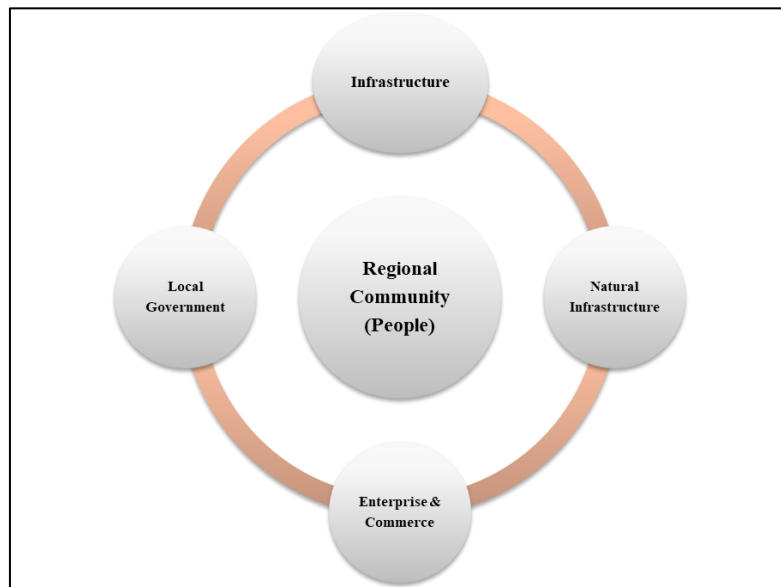


Figure 4. Clusters Surrounding a Regional Community. Source: Designed by the Authors.

For a community to create or to determine what its competitive advantage is, it must first unite the worlds and connect the nations that surround it. Figure 4 above is not comprehensive and there may well be regional communities that have more worlds, however, it is intended that the diagram be representative of the concept and an average community. The geography, regional science and economics literatures have long discussed comparative/competitive advantage, typically without regard to political boundaries. Distance to inputs and markets, the local cost and productivity of factors of production, access to natural resources and amenities, all were used to explain the growth and development of city-regions (Luger, 2009, p. 113).

According to Johnson *et al.* (2011) strategy exists in three levels of an enterprise as shown below in Figure 5:

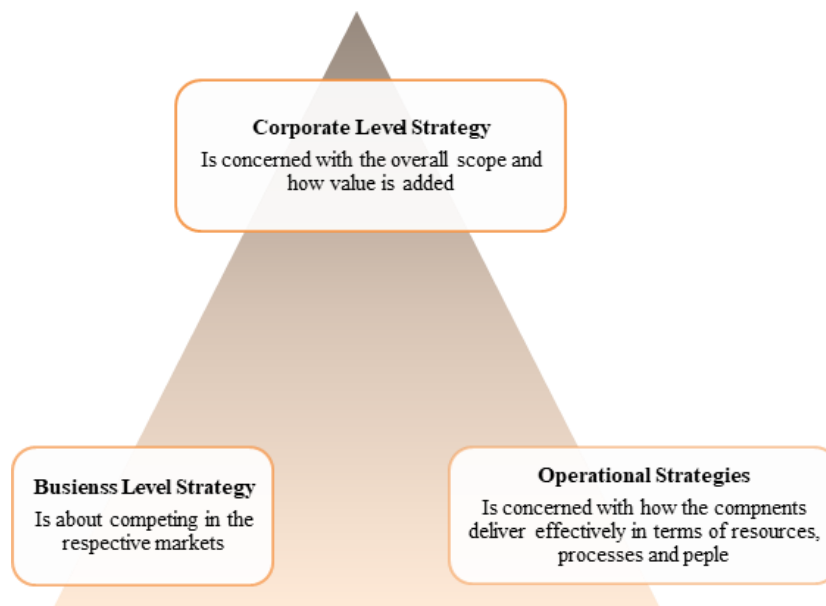


Figure 5. Three Levels of Strategy. Source: Designed by the Authors

This suggests that creating a strategy that delivers or defines competitive advantage touches all aspects of the organisation or enterprise.

The notion of strategy as the corner stone for future planning and creating a competitive advantage is very popular. Pfeffer and Sutton (2006) discovered 4.5 million entries for business strategy in google. They noted a survey by the National Association of Directors in the US showing that

CEO's considered strategy ranking as number two in importance to their companies. If strategy and the creation thereof is so popular and important to enterprise then is strategy in itself a destiny of competitive advantage? Richard Kovacevich of Wells Fargo Bank argues that organisational culture and execution are more important and has said "I could leave our strategy on a plane and it wouldn't make any difference" (Pfeffer and Sutton, 2006). Anne Mulcahy of Xerox and Kevin Rollins of Dell Computers agree with Kovaceich saying that working towards common objectives, operational efficiencies, culture and execution are the common ingredients to their companies competitive advantage. Assuming that strategy is the destiny of competitive advantage may not be the classic solution that is often presented or relied upon to deliver.

Strategy and the production of strategic plans have also come a long way in two decades. Most of us remember the first corporate strategic plan we produced. The analysis and presentation in the strategy was nothing short of a masterpiece and the CEO looked at it, agreed with it, congratulated the author and promptly stamped confidential on it and put it in his office safe never to see the light of day again. Today we see business leaders carrying their strategic plan around in a Powerpoint for all to see.

Strategy and the creation and implementation thereof in many enterprises can take on the role of the piano player in the bar of an old time western saloon. He understands the customers downstairs, what they are doing and talking about but has no idea what is happening upstairs at all. A truly competitive strategic plan delivering competitive advantage must fully appreciate the culture, the modus operandi and the operation both downstairs in the bar and upstairs for the plan to be subscribed to by the stakeholders and executed at all.

6. STRATEGIC PLANNING FOR A COMPETITIVE ADVANTAGE

The concept of formulating a competitive advantage through strategic planning is not an exact science and a complex process with many stakeholders and influencers to consider. The following diagram (see Figure 6) sets out the landscape for such planning and development endeavours and presents the scope of the project.

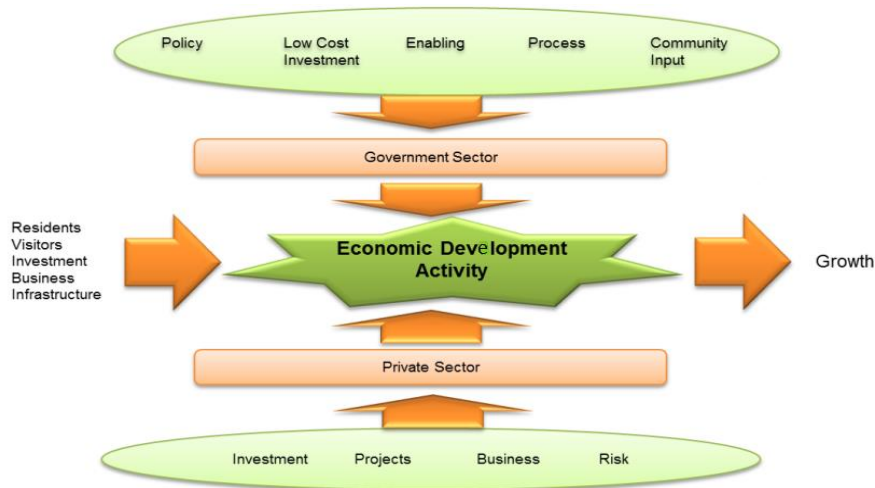


Figure 6. Factors Influencing Economic Development Activities. Source: Designed by the Authors

When approaching the development planning scope there is not only the landscape to consider but there are a number of development levels to include or address. These levels of development interest are depicted in Figure 7. These levels are not definitive. They are only a guide to options for planning and we anticipate each region or community undertaking this activity will create their own levels of interest and landscape to explore and develop.

The process of strategic planning in a community or regional economic development context is not a precise science or a best guess creative masterpiece, this type of planning requires in-depth analysis of the surrounding environment and the economic players in the region. The final production document must contain enough vision and innovative content to inspire all of the stakeholders that dwell in the various nations and worlds that surround the region or community.

An underpinning complexity for most regional economic development plans is that the majority of strategic modelling or planning is built around industry or on commercial foundations and therefore do not contain the imprecise factors that are present in a community.

The planning model depicted in Figure 8 is designed to account for the various factors that are important to communities but not so for a commercial enterprise. The model starts on the right side using all the appropriate strategic planning tools and models for analysis that create a

picture of the region. Then by contextualising the outputs we can account for the community and its unique situation, and by incorporating that into the strategic plan can generate meaningful outputs and actions.

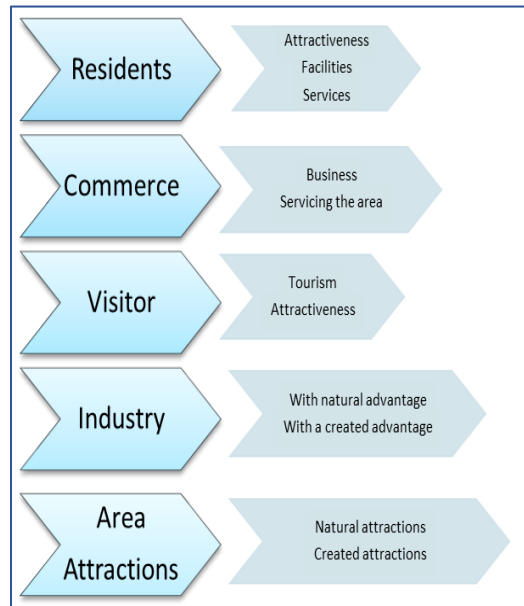


Figure 7. Levels of Understanding Required for Community Strategic Planning. Source: Designed by the authors

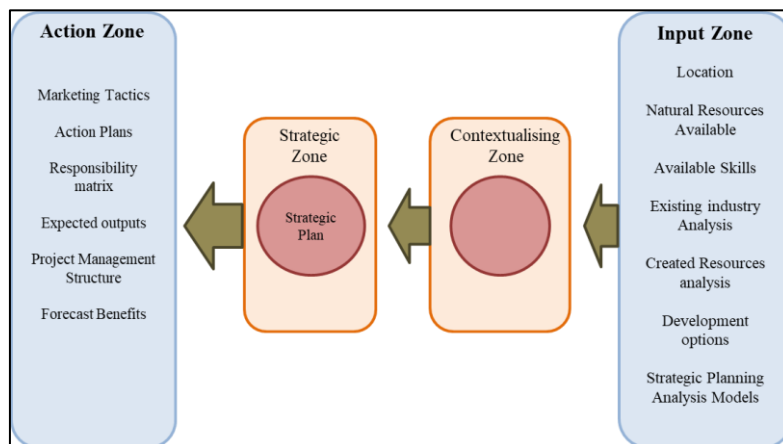


Figure 8. Framework for Developing Regional Community Strategies. Source: Designed by the Authors.

The input zone is populated by data, both historic and forecasts, placed alongside trends and future development initiatives that will affect the sector. This analysis will create a landscape or view of the community that highlights development trends and options from a sector view that will provide the foundation for contextualising the developing strategy.

During the contextualising zone of strategic development, the location factors are introduced for example:

- The geography – where is the community located in relation to transport, access, natural and created attractions;
- The available infrastructure – how much is available and the capital cost and challenges of expanding in terms of roads, power, communications, water etc.;
- The retail and people infrastructure – this includes shopping, accommodation, attractions ease of access etc.;
- The underpinning industry around the community – what industry and other economic generators are at force in the community. Is it the community growing, static or decreasing in terms of economic growth; and
- Support – what support is available for immigrants into the community or business development support from Government or other sources to encourage development

From this analysis, a community attractiveness factor can be determined.

7. CONCLUSION

A region is *competitive*, by definition, in economic development terms when it has the conditions to enable it to raise its standard of living at a greater rate than the ‘average’ region that it competes with or when it has developed the ability to sustain *winning* outcomes. These conditions are perceived to include a mixture of Porterian competitive advantage for firms and the attractiveness of the regional environment for business, as well as the volume and rate at which the region’s human capital is employed (Bristow, 2005, p. 289). In conclusion, it could be said that neo-liberal restructuring has *de-* and *reterritorialised* the political structure of most western nations as the economy has been actively *folded* into the globalised world without regard to effect or affect based on the assumption that the market knows best.

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