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Shared Services Strategies and Their Determinants: A Multiple Case Study Analysis in the Public Sector

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ABSTRACT

Shared service has proven to be a key element when it comes to increasing government efficiency by collaboration. Here, we seek to investigate into the shared services phenomenon in the context of government reforms. For this purpose, an interview and document analysis-based multiple case study has been conducted in Germany. The qualitative analysis covers three shared service implementations on the local government level and identifies important preconditions for shared service emergence, namely cost pressure as motive, the existence of key actors promoting the topic and the existence of prior cooperation. Moreover, it is shown that the structure of such previous cooperation determines, if shared services are being organised in a centralised (shared service centre) or decentralised format (shared service network).

Keywords

Shared Services, Networks, Public Sector Reform, E-Government, Qualitative Study.

INTRODUCTION

The emergence of public sector shared services is a core element of public sector reform. Shared services, a strategy relatively new to public administrations, integrate the analysis of technical as well as organisational issues. Up to now, they have yet only been of minor importance for researchers. A literature review shows that there has been little scientific interest in information systems outsourcing for public administrations (Marco-Sima et al., 2007) or public sector shared services (Walsh et al., 2008). Nonetheless, it is apparent that collaborative projects are becoming increasingly important for public administration theory and practice (Gil-Garcia et al., 2007). As shared services are a way of realising efficient government collaboratively, this highly relevant phenomenon needs greater scientific attention. Our study therefore aims at gaining a deeper insight into this topic, seeking to answer the following research question:

What are major preconditions for the emergence and configuration of shared service cooperation on the local government level?

In order to elaborate on this question, our paper is structured as follows: First we will discuss related work, dealing especially with the basic terms of shared services. Subsequently, we develop a research model for our study. After describing the research methodology applied in the study, the case data – gathered from three case studies conducted in Germany – will be presented. This includes a brief case description as well as major findings regarding the variables under analysis. Consequently, the results are discussed and interpreted against the theoretical model. The paper concludes with a summary of major results, the discussion of limitations and a brief outlook on potentially fruitful avenues for future research.

RELATED WORK

Shared Services

The term 'shared services' might be defined as the concentration of company resources performing activities in order to service multiple internal partners (Schulman et al. 1999), which comes along with the standardisation and consolidation of redundant information processes (Wang & Wang, 2007). In a public sector context, this includes centralising administrative service delivery at a certain place (Habbel & Prodoehl, 2006). Processes that have been carried out multiple times by several organisational units become executed only once in the shared service organisation. In this respect, shared services constitute a form of government collaboration which is defined as a voluntary agreement between two or more distinct public sector

agencies to deliver government services (Dawes & Préfontaine, 2003). The main reason for establishing shared services is achieving more efficient service delivery, reflected in cost advantages as well as in higher quality (Triplett & Scheumann, 2000). Administrations should be relieved from routine jobs so that they can use more resources for individually serving their clients 'at the front-line' (CIO council, 2008). Therefore, shared services can especially be applicable for supporting processes like wage and salary administration, human resources, IT-infrastructure, procurement or facility management (Wegener, 2007).



Figure 1: Ideal types of centralised and decentralised shared service organisations

The concept of shared services thus constitutes a specific form of outsourcing. Here, two structural types of shared service organisation can be differentiated from one another, referring to its degree of (de)centrality and its constellation of service providing units (SPU) and service receiving units (SRU, see Figure 1). 1) A shared service centre represents the centralised organisational format. In this case, certain business functions are concentrated into one single place (Bergeron, 2003) and provided to several other administrative units (i.e. administrations as a whole, departments or smaller parts of them). These units might belong to the same municipality as the service providing unit, so that services are only provided internally. If they belong to different ones, the SSC realises a form of inter-municipal cooperation (Sorrentino & Ferro, 2008; de Vries, 2008). 2) The second type of shared service organisation comprises more than one service providing unit (Janssen & Joha, 2008) and is therefore called shared service network (SSN). In this case, there are several units, which can be located in different municipalities involved, including the service providing units which may also receive services among themselves. Basically, a shared service network consists of at least two shared service centres with their associated service receiving units.

Research Model

Based on a comprehensive literature review, we examine key (independent) variables for their potential impact on shared service strategies:

Cost pressure: The underlying motives for the emergence of shared services are examined because of their special importance for such a project. An administration can have different reasons for establishing shared services as mentioned above. However, one of the most important reasons will be of financial nature. In times where administrations are short of money, possibilities to reduce costs are very attractive and often required (Eyob, 2004; UNDESA, 2008). It has become apparent that the reduction of costs is a main driving force for IT outsourcing in general (e.g. Smith et al., 1998) and for e-Government projects in particular (Huang & Bwoma, 2003). Consequently, this fact could be adapted as an important motive to shared service implementations.

Key actors: Another relevant aspect for the success of e-Government projects is the impact of key actors (Gil-Garcia et al., 2007). The introduction and acceptance of IT in the public sector generally depends on the people involved and their social interaction (Horton & Wood-Harper, 2006). As management support and leadership are crucial success factors for the implementation of shared service and e-Government projects (Ang et al., 2001; Ke & Wei, 2004; Walsh et al., 2008), the role of such key actors has to be taken into account when examining the emergence of shared services. The personal commitment of individual key actors is necessary to promote the topic in order to improve service delivery.

Prior cooperation: E-Government research has produced several findings concerning the necessity for collaboration and cooperation between administrations. Several authors have described that intensive cooperation is needed for successful e-Government projects and that such implementations should be accompanied by collaborative communication (e.g. Strejcek & Theil, 2002, Tan & Pan, 2003). Furthermore, Layne and Lee (2001) presented a four-stage model for e-Government development, in which horizontal and vertical system integration form an essential part that is not realisable without cooperation between government agencies. Such system integration is strongly related to the establishment of shared services. It has also been stated that collaborative decision-making is important for initiating shared service arrangements (Janssen et al., 2007). Thus, the existence of previous cooperations seems to have special relevance for e-Government projects in general and therefore also for shared service projects. It is assumed that an emergence of shared services depends on whether certain forms of cooperation existed already before. Referring to the reasoning of path dependency (Pierson, 2000), municipalities have to know each other from at least punctual common projects in order to have the necessary basis for a trustful cooperation during shared service delivery.

Prior structures and shared service configuration: Besides these points, several models of shared service implementation exist (Walsh et al., 2008), implying that different configurations exist for cooperation between administrations, e.g. shared service centres. These configurations are important for the adoption of the shared services idea, but have so far not been discussed in detail in the public context (Ulbrich, 2008). In this study, the two structural types of shared service centres and shared service networks are differentiated and examined. It is basically assumed that the organisation of shared services corresponds to the organisation of the prior existing network to a large extent. If the preceding cooperation has central structures in terms of one partner playing a more important role than others, then the shared services will be organized centrally likewise in form of a SSC. On the other hand, decentralised structures of prior cooperation, where all partners play an equal role, rather lead to shared service networks (SSN).

RESEARCH METHODOLOGY

Research Method and Selection Criteria: The usage of multiple case studies is a core method within qualitative research. It is favourable when contemporary events are investigated over which the investigator has no control (Yin, 2003). This is due to the fact that case studies, in contrast to experiments, for example, do not affect developments or behaviours. Thus, case studies are especially useful for examining temporal, organisational developments, which is the aim here when dealing with the emergence of shared service cooperation.

Multiple Case Study Design and Method of Reasoning: When conducting case studies, a case represents a well-defined unit of investigation for examining the interaction between dependent and independent variables (Barrios, 2006). The selection of cases should ensure that this interaction can be explained, but also that possible covariates are kept under control. To achieve this, two approaches, based on John Stuart Mill (1846), can be differentiated from another: the method of difference and the method of agreement. In 'most dissimilar systems design', which is used in our study, selected cases are equal regarding their outcome, but differ significantly regarding other aspects (i.e. the independent variables). Among these different variables, the one which is just equal in all cases explains – according to the method of agreement – the equal outcome. According to this design, we have chosen cases for our investigation, in which the same outcome – the emergence of shared services – occurred, but that were heterogeneous regarding other aspects like shared services content, legal form of cooperation, location, size, and number of participants.

Case Selection and Analysis: According to the described research design, we have chosen three cases of intermuniciple cooperation in Germany where shared services have emerged: the central IT-procurement in Aachen (case A), the IT-Cooperation Rhine/Ruhr (case B) and the pilot project shared services in North-Rhine Westphalia (case C). With these successful implementations, findings could be derived. We conducted seven expert interviews with persons involved in the development of the projects during a timeframe from June 2007 to July 2008. The experts interviewed were heads of IT departments, CEOs, shared service project managers, or mayors. All interviews were conducted in a semi-structured way. This included a free part for the experts to report on current content and organisation of the shared services, questions addressing environmental, organisational and individual preconditions for the shared services and an open discussion about related aspects brought up during the interview. The interviews have been complemented by analysing related documents including project documentations, meeting minutes, presentations and websites. The method for analysing the data gathered was qualitative content analysis (Mayring, 2000).

DATA

Case A: Aachen

IT-Procurement for local administrations and other public institutions is organised centrally in the region of Aachen since the beginning of 2004. It is operated by a company in public ownership. This company is the regional IT service provider for administrations and other organisations since 2003. The central procurement of standard hardware and software is offered as a shared service for the city of Aachen, all nine municipalities of the district Aachen and all ten municipalities of the district Heinsberg. Here, findings include:

1) Cost pressure: In a first step, the expectation of cost-savings could be identified as crucial factor and sole motive for centralising the procurement. The municipalities could, on the one hand, save the effort for own tendering processes and additionally could achieve more favourable conditions through bundling their orders. This purpose was explained by two interviewed experts:

"The reason for organising the procurement centrally was simply the reduction of costs by doing one tendering procedure for all so that the municipalities could save their own efforts." (Manager responsible for central procurement)

"All of our e-Government processes are aligned with the claim for efficiency. [...] Managing business processes contains optimising our workflows." (Head of IT department)

2) Key Actors: In this case, important actors were the political representatives from Aachen, who planned to establish a central procurement already at the foundation of regio iT as IT service provider. This was expressed by regio iT's manager:

"The administrations were obviously interested in this service already when founding regio iT in 2003, as it was already envisaged at that time."

3) Prior Cooperation: Regarding the existence of a prior cooperation, previously centralised services have to be mentioned. Most municipalities had already received other services from the IT area by regio iT or its predecessors respectively. Already in 1975, the "common local data processing centre (GKDVZ)" Aachen was founded as cooperation between the districts Aachen and Heinsberg and the city of Aachen. The municipalities of the region were provided with information technology and mainframe services by this centre. These tasks were devolved to the newly established regio iT in 2003. The municipalities therefore could already use numerous services centrally before the central procurement was established, like development, integration and customization of applications, IT-consulting and -training, data centre-operation or mass printing and enveloping. The responsible manager from regio iT stated:

"The administrations already cooperated before in this respect that they made use of services by regio iT and its predecessors respectively. [...] All municipalities that have regio iT as IT service provider can use the central procurement."

Further cooperation also existed in other areas, e.g. the StaedteRegion Aachen, which leads to a political union and will become legal successor of the district Aachen. Altogether, a long-time cooperation of the municipalities has to be stated on a functional as well as on a political level.

4) Prior structures: The prior organisational network-structures can be characterized as central. The respective municipalities received several services from their provider regio iT. In this respect, regio iT played a special role by providing IT services to the partners involved, acting as the main hub in the cooperation network.

5) Shared service configuration: The current shared services are organized centrally as well (see Figure 2). In the same way as in the previously existing network, the involved municipalities and other institutions receive services from regio iT. The only difference is the service content, being enlarged to IT procurement.



Figure 2: Organisation of shared services Case A

Case B: Rhine/Ruhr

The IT-Cooperation Rhine/Ruhr (IT-K R/R) is a special purpose association founded in Duesseldorf in October 2003. The partners involved are the cities of Duesseldorf, Bochum, Dortmund, Duisburg and Moenchengladbach as well as the already existing associations KDVZ Neuss and KRZN Moers. All of them took part in the cooperation's foundation, except for the city of Dortmund, which joined the cooperation two years later, and also commissioned a previous study together to identify possible potentials for cooperation. Each of the seven partners involved delivers certain services from the area of information technology to all members of the cooperation. This service delivery is organised in form of so-called "competence centres", which have been established for the respective tasks. The registered office of the special purpose association, i.e. initialising, coordinating, and supervising the fulfilment of tasks between the competence centres. The delivered services comprise the tasks of a data centre as well as applications in the area of citizen data, human resources, transportation and housing, social and youth affairs, and SAP applications. The competence centres only perform supporting IT functions for the topic areas mentioned above, like application development, administration, or maintenance. The actual operational tasks are still executed by the respective administrations themselves. All competence centres are operated by the partners on their own responsibility. The respective scope of services and the payments are contractually regulated between delivering and receiving partners. Here, findings include:

1) Cost pressure: The crucial motive for the cooperation's foundation was the reduction of costs as pointed out by one project leader:

"I think cost savings had top priority, without savings for the budget, the cooperation wouldn't have been started at all." (Project leader 1)

The cities, which mostly had to struggle with bad budget situations, were eager to reduce their high costs in the area of IT. In this way, a scope for future IT investments was supposed to be created.

2) Key Actors: Besides, the responsible department heads of the cities were of crucial importance for establishing the shared services. They worked on the progress of the cooperation even more than the IT leaders of the administrations or the managers of the existing data centres respectively. Accordingly, the commitment to establish such cooperation came, at least at the beginning, from the political rather than from the functional level.

"[...] it is important to have such actors. The group of department heads was bound and determined to realise the project and searched for a suitable way to do this. I believe that the whole project wouldn't have been possible without these people." (Project leader 1)

3) Prior Cooperation: An intensive prior cooperation is notable in this case, since all partners involved were acquainted with each other from the "working community local data processing (AKD)" in North Rhine-Westphalia. Information and

experience exchanges, as well as a partially coordination of activities, took place at this level already some years before the foundation of the cooperation. This close cooperation is also emphasized by the second project leader interviewed:

"We surely have a leading role here regarding local cooperation in the context of information technology. [...] Therefore, those partners came together for IT-K R/R, which were already familiar to each other from organisations like AKD."

In addition, further cooperation between some of the seven participants existed. The cities of Duisburg, Duesseldorf and Moenchengladbach, for example, operated a common data centre, which was dissolved in the course of the foundation of the IT-K R/R. The KDVZ Neuss and the KRZN Moers had already formed a network for common production operating as well. There has also been further cooperation with municipalities not involved in the IT-K R/R, e.g. the development community ISMONE.

4) Prior structures: Before the beginning of the IT-cooperation, there have been selective cooperations between some of the partners as well as an exchange of experience in the context of the AKD. However, no extensive cooperation existed between all of the partners. In this respect, the prior existing organisational structures have to be characterized as decentralised. This is also underlined by the fact, that the involved partners regard themselves as being equal and on the same level, which finds expression in everyone taking over at least one task in a competence centre. One of the project leaders commented on this as being important for the cooperation's foundation:

"Being on the same level is definitely important; otherwise it wouldn't work, because someone feels disadvantaged." (Project leader 2)

5) Shared service configuration: Functionally, the KRZN Moers had a central role because they were the only ones, who could and wanted to take over the important task of operating the common data centre due to their size and competence. However, no leadership role for the cooperation as a whole can be derived from this. Instead, a decentralised shared service network is the case, with all partners involved delivering services to all others (see Figure 3).



Figure 3: Organisation of shared services Case B

Case C: North-Rhine Westphalia

In 2007 a pilot project for establishing a shared service organisation has been initiated in North Rhine-Westphalia. The four towns of Radevormwald, Hueckeswagen, Wipperfuerth and Marienheide are involved by developing solutions for a closer collaboration in the form of shared services. The towns are all located in the north of their district "Oberbergischer Kreis",

from the rest of which they are explicitly separated as it expands very much in north-south direction. This has led to a strong cohesion between the four towns and the administrations as well. With the pilot project, the involved administrations aim at scrutinizing the possible applications of shared services, meeting the challenge of implementing it and exploiting the resultant advantages. For this purpose, the extent is examined to which cooperative service delivery is possible and efficient for several administrative areas. The financing is taken over by the federal state of North Rhine-Westphalia, which expects to transfer the results of the project to other intermuniciple cooperations as often as possible. The official kickoff to the project took place in April 2007 by starting with analysing three administrative areas to find out if they are suitable for shared services. These areas were procurement, property management and organisation of the building yards. In mid-2008 the analysis was completed and concepts have been worked out to implement the solutions found. The related implementation is planned for the second half of the year 2008. In a next step, further administrative areas shall be analysed, including financial accounting, human resources and building supervision. Here, findings include (see Figure 4):

1) Cost pressure: Just like in the other cases, the outstanding and crucial motive for the shared service cooperation was the opportunity to reduce costs. All four municipalities have severe financial problems; therefore this aspect was of special importance to them. A member of the project steering team stated:

"[...] mainly due to financial reasons. Against the background that all four municipalities have budget deficits, ideas have to be developed to compete with this. Our idea is to save money by cooperating."

2) Key Actors: The four mayors could be identified as important key actors in this case. Although none of them was solely responsible for pushing forward the establishment of the shared services, their openness to innovative solutions and their will to cooperate enabled the project in the first place.

"A first exchange between the four mayors took place in the year 2000, termed playfully as 'Northern Alliance'. [...] So it started with informal meetings [and several years later] the idea for shared services was born in this context. [...] Without the mayors, it probably wouldn't have worked." (Project leader)

3) Prior Cooperation: There has been a series of prior cooperations between the four municipalities involved already before the beginning of the shared services project. Among these, the regular exchange between the mayors has to be pointed out, which was initiated in the year 2000 already. Based on this exchange, several cooperation projects were started. One of the mayors commented on this:

"We [the 4 mayors] have therefore joined forces some years ago to meet regularly and to agree upon bringing things forward together. Since then we have launched quite a number of projects."

Altogether the four municipalities try to act as a closed unit in their appearance to other public authorities which has led to a clearly improved outward perception and was described by the mayor as well:

"We have combined our energies to appear jointly to others. [...] Such a meanwhile long lasting cooperation leads to a unified outward perception with a perceived value that we didn't have before." (Mayor)

4) Prior structures: The essential part of prior cooperation structures before the pilot project was the subject-oriented cooperation of the four mayors. This can be described as decentralised because each participant played an equal role in the project. The furthermore existing selective functional cooperations also have a decentralised character, since they include different single projects, that partly are executed only between some of the municipalities, partly however also between all four of them.

5) Shared service configuration: The organisational network is characterized by intensive cooperation between the four municipalities. Although the project is not finished yet, all partners involved seek to take over their part and deliver services to the others. This is accompanied again by establishing the cooperation as an equal partnership, which was regarded as essential for the cooperation in the shared service project by the interviewed mayor:

"It is certainly necessary to respect an equal partnership. We, the four mayors, regard ourselves as equal, with everyone taking over his part, [...]".



Figure 4: Organisation of shared services Case C

INTERPRETATION

In order to derive results from the interview data described above, the examined variables from all three cases will be compared with each other in the next step. This leads to the variables' impact on the outcome of our case study analysis. Table 1 summarizes the findings from the case data.

	Case A	Case B	Case C
Main rationale: cost pressure (independent variable)	Cost savings through omission of tendering and simultaneously more favourable conditions.	Cost savings through centralising IT tasks.	Primarily cost savings, secondary the political will to establish a joined building supervision authority.
Existence of key actors (independent variable)	Political representatives from Aachen.	Group of responsible department heads.	Group of mayors.
Existence of prior cooperation (independent variable)	Administrations already used other central services provided by regio IT or predecessors. Additionally political cooperation.	Collaboration in IT association (AKD).	Intensive exchange between mayors, several cooperative projects.
Prior structures (independent variable)	Centralised. Several municipalities associated with central service provider.	Decentralised. Selective cooperations between some of the partners.	Decentralised. Equal partnership between mayors and thus also between municipalities, selective cooperations.
Structure of shared services (dependent variable)	Centralised.	Decentralised.	Decentralised.

Table 1: Summary of findings

1) In all three cases the main rationale for establishing shared services was the saving of costs. Besides, there were sometimes also further reasons, like for example certain political intentions, but the financial aspect was crucial for each case. Hence it shows that administrations primarily focus on the savings potential of shared services, but not on other possible advantages, like an improved quality of service delivery. We assumed that reduction of costs is the crucial motive for establishing a shared service organisation. This could therefore be confirmed clearly by all three cases. Financial incentives are apparently the most important reason for administrations to deal with cooperation in the form of shared services.

2) Central persons, who take the role of key actors, were of special importance for the emergence in every case. Without such promoters it is unlikely that shared services would have been founded. It is important to note that all of these key actors had no special functional importance, but held political functions in their municipalities. The presence of central promoters is therefore extremely important for the emergence of a shared service cooperation. We expected that particularly central actors must be present in the developing network, so that shared services can emerge. This can be confirmed by the three cases as well. The role of certain key actors, thus, appears to be particularly important for the emergence of shared services.

3) Likewise previous cooperation existed in all three cases, however, in different formats. In case A, all municipalities already used regio iT as central IT-provider. Within the IT-K R/R, all participants interacted with each other in a

superordinated working group, while some even cooperated on a functional level. In case C lastly, a long-time cooperation on mayor level, a uniform external presentation as well as individual functional cooperation existed. Thus, it has to be assumed that previous cooperations play an important role in the emergence of shared services, since they can create the preconditions for such a close cooperation. We stated that cooperations on a functional level could be necessary, before a shared service can develop. This assumption could be confirmed as well, since cooperation on a functional level existed in all three cases, although with different characteristics. Therefore, preceding cooperations have positive influence on the emergence of shared services.

4) The prior structures of the developing networks were in all cases associated with the later shared service structures. The previous cooperation of the central IT-procurement in Aachen was organized centrally just like today's structure - with regio iT as central provider and the municipalities as its customers. In the other two cases the previous cooperations were decentralised, and from that origin also decentralised shared service networks developed. We assumed that prior existing structures determine the later shared service configuration. The three cases support this. A shared service centre emerged out of a central structure, shared service networks developed from decentralised structures.

These research results lead to important findings regarding the emergence and configuration of shared services (see Figure 5).



Figure 5: Causal relationships derived from the multiple case study

It showed that two conditions are crucial for whether a shared service cooperation emerges or not. This is on the one hand the existence of a preceding cooperation, which was given in all cases and played an important role for the emergence of shared services. On the other hand, key actors on an individual level are of special importance. They ensure that an idea of establishing shared services is actually put into practice. Thus, one main finding is that shared service co-operations emerge especially if these two conditions are given. Otherwise, the barriers to establish an efficient cooperation are considerably higher. However, a sufficient condition must still be present, since shared services are not implemented as an end in itself. It could be found that the expectation of cost savings seems to be this sufficient condition in many cases. Administrations obviously seek improvements of the financial situation in the first place. Other motives play only a subordinated role, if they exist at all. For the question of a central or decentralised configuration, the results suggest the following relationship: The structures of prior existing cooperations can determine the subsequent shared service structure - a central shared service centre seems to develop from a central structure, decentralised shared service networks to develop from decentralised cooperations.

CONCLUSION

Shared services are a central means for collaboration and public sector reform, addressing technical and organisational issues as well. The importance of such cooperation is undoubted, yet little research has been conducted with regard to this topic. With our study, we try to give insights especially into the preconditions under which shared service cooperation emerges and is being shaped.

An explanatory, multiple-case study analysis based on three shared service projects from Germany contributes new findings to the research topic. First of all, cost pressure could be identified as a main rationale when it comes to starting a shared service project. Besides such a motive, two other preconditions support the emergence of shared services. On the one hand,

the presence of certain key actors, especially from the political and management level, is helpful in order to promote the topic. On the other hand, prior cooperation between the municipalities involved is important for building the shared service cooperation on a trustful relationship. Additionally, the structure of such previous cooperation determines the structure of the emerging shared services. Centralised prior cooperation structures lead to shared service centre structures, while shared service networks emerge from cooperation which already had a decentralised character before.

Practical implications from these points refer to the managerial actions needed when trying to build up shared services. Responsible actors from local government have to take into account the necessary steps of development. Especially relying on a previous cooperation between the intended shared service partners and appointing key actors to promote the project is fundamental. Moreover, prior existing structures have to be considered by project leaders and decision makers when it comes to choosing an organisational format for the shared services.

The case selection is a possible limitation of the presented study. Generalisability of the results could be improved by examining more cases. Studies from other countries, which have to deal with the same issues of, might overcome the regional limitation of the study and generate other important aspects. Furthermore, such cases could be examined where other cooperations apart from shared services have emerged. Here, findings could be related to the preconditions examined, providing a sharper view on the circumstances of public sector cooperation.

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