

Exploring Network Capability, International Opportunity Recognition and Development on the International Performance of Born Global firms in China

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Abstract

This research paper is related to the internationalization of firms, international entrepreneurship, born global firms, network ability and opportunity identification and development. Secondly, the structural model of born global firm network ability is constructed from the perspective of dynamic research of firm network. This research paper put forward the theoretical conceptual model of born global internationalized performance based on Network ability, analyze how network ability affects the internationalized performance and put forward corresponding relation hypo dissertation. Finally, based on questionnaire survey data, the above theoretical relations are tested and demonstrated by the structural equation model. This research paper starts from the static and dynamic aspects of firm network ability, not only pay attention to the relationship network structure characteristics and quality of firms, but also focus on planning, construction, maintenance and management of relationship networks' impact on internationalized performance. Therefore, the network ability research perspective adopted in this paper further deepens the research of the internationalized performance of born global firms based on the theory of relationship network.

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I. INTRODUCTION

The network ability is divided into five interrelated components: network vision ability, network construction ability, network relationship management ability, network occupancy ability and network communication ability (McAuley, A., 2010; Zhou, L., Wu, W.P., Luo, X. 2007; Law et al., 2019b). Second, although international entrepreneurship scholars tend to criticize the lack of attention to transnational entrepreneurship in international business research, international entrepreneurship scholars themselves have not been

able to adequately research the concept of opportunity in international entrepreneurship at the theoretical and empirical levels (Kirzner I M, 1973; Lin Song, 2005; Liujuan, Pengzhengyin&Wangweiwei, 2014; Liweining&Zouliai, 2010). Some scholars put forward the middle line on this basis, proposing that some elements of the opportunity are derived from identification and discovery (Oyson, M. J., & Whittaker, H., 2015), but the overall opportunity is generated by creation and development (Oyson, M. J., & Whittaker, H., 2015). In general, the

identification and development of opportunities as the two basic frameworks for supporting opportunities have not yet been fully studied in theory and empirical measurement.

Therefore, by focusing on the identification and development of international opportunities, this research paper tries to analyze and test them from the perspective of dynamic ability as two unique ability. The relevant literature shows that the current research mainly focuses on the composition, structure, content and results of the relationship network (Zhou, L., Wu, W.P., Luo, X., 2007; Zhang Baojian, 2015; Wangzengtao, Zhangyuting&Jiangmin, 2017; Tolstoy, Daniel &HenrikAgndal, 2010; Pletnev, D., Fink, O., &Dyachenko, O., 2020). However, the research of network ability, which is characterized by how firms construct effective relationship networks, is still neglected by many scholars in international entrepreneurship (Chenwenpei, 2016; Dib, L, A., da Rocha, A. and Ferreira da Silva, G, 2010; Dimitratos, P., Plakoyiannaki, E., Pitsoulaki, A. &Tuselmann, H.J, 2010; Dongbaobao&Zhouxiaoyue, 2015). From the perspective of relationship networks, the ability to identify and develop international entrepreneurial opportunities can be understood as a kind of ability enabled by relationship networks, referring to relying on external relationship networks to promote the identification and development of overseas market opportunities (Knight, Gary A ,and S.T. Cavusgil, 1996; Liujuan, Pengzhengyin&Wangweiwei, 2014; Loane, S. & Bell, J., 2006). According to the Upsala model, the “status quo” aspect includes market knowledge and market commitment, mainly indicating the current internationalization of the company; the “change” aspect includes commitment decisions and current behavior, which mainly indicates the changes in the process of internationalization of the company and how the internationalization of the company is carried out.

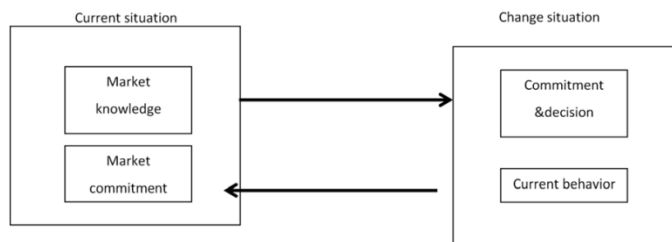


Figure 1: Current Situation vs. Change Situation

II. LITERATURE REVIEW

The earlier definition of firm internationalization can be traced back to Johanson and Wiedersheim-Paul's “a gesture of an enterprise to engage in overseas activities or to truly implement overseas operations” in 1975. Taking into account the close relationship between increasing inward internationalization and outward internationalization, Welch and Luostarinen proposed a broader definition of internationalization, that is, internationalization is constantly involved in the process of internationalization (Law et al, 2019a; Rennie 1993;Almor, T, 2008; Anil Kumar Goswami, 2019; Busenitz et al., 2003; Du Jingjing, 2014). In 1990, Beamish and other scholars proposed a new definition of the definition of past internationalization. They described internationalization as the process by which companies simultaneously promote their direct and indirect international transactions and initiate and manage transactions with other countries (Huang Sheng, Huang Zhoujingbo, 2013; Loane, S. & Bell, J., 2006). Contrary to static business internationalization economics, the development of behavioral perspective focuses on dynamic business internationalization process research.

2.1 Embedding of Relationship Networks

Relationships are not created and developed in isolation. All relationships are part of the network of interaction relationships and are divided into different types according to different divisions (see table 1). The relationship network can be specifically understood from three branches: the network as a kind of relational set, studying how

these relational sets are established; Network as a process, the overall process can be divided into several branch processes, each branch process contains several stages; Network as a structure, that is, the number of linkages and the degree of inter-firm linkages. Seeing the network as a structure, this is the most abstract understanding. The structure contains many nodes.

Table 1: Definition of Network ability

Author (year)	Variable	Description
Ritter et al. (2002)	Network power	Develop and manage relationships with major suppliers, customers and other organizations to effectively manage interaction between these relationships
Walter et al. (2006)	Network capacity	Enterprise capacity to develop and leverage inter-organizational relationships to access resources controlled by other network entities
Mitrega et al. (2012)	Network capacity	The Orientation of Management Business Relations with the Development of Enterprise
Sivadas & Dwyer (2000)	Cooperation	Organizational competence: ownership of relationships between organizational entities, consisting of trust, communication and coordination
Lambe et al. (2002)	Alliance power	Ability to Learn in a Relationship Network The ability of an enterprise, combined with its prior experience, to capture, share and disseminate the management know-how of an alliance
Kale et al. (2002), (2016)[133]	Alliance power	Ability of enterprises to maintain and develop all alliances
Hoffmann (2007)	Alliance portfolio capacity	Ability of enterprises to build and maintain high-level productive organizational relationships
XuJinfa (2001)	Network capacity	Based on internal knowledge and other supplementary resources, enterprises develop network structures by identifying network values and opportunities, and develop, maintain, and use various levels of network relationships to obtain scarce

		resources and guide the dynamic ability of network changes.
Xiang Xiaoqiang (2006)	Network capacity	The ability of a series of network construction and network management activities driven by network orientation, using certain relationship and cooperation skills
Zhu Xiumei (2010)	Network power	Develop and manage relationships with major suppliers, customers and other organizations to effectively manage interaction.

The core research field in international entrepreneurship research is the study of the phenomenon of rapid internationalization of new start-ups, which accounts for most of the current achievements of international entrepreneurship. many behavioral variables are used to compare entrepreneurial types, such as: internationalization driving forces, international market choices, international market entry patterns, competitive advantages, entrepreneurship orientation, corporate strategies and performance. In addition, other research results show that the age, initiative, and risk taking of entrepreneurs also affect the establishment of new international entrepreneurship firms (Kirzner I M, 1973; Lin Song, 2005; Liujuan, Pengzhengyin & Wangweiwei, 2014; Liweining & Zouliai, 2010; Law et al., 2019c). The second research topic is the study of the speed level of internationalization. The "renewable global companies" refer to those companies that have achieved a better position in the domestic market and have no obvious intention of internationalization, and suddenly engage in rapid and focused internationalization (McAuley, A., 2010; Zhou, L., Wu, W.P., Luo, X. 2007; Nummela, N., Saarenketo, S., Jokela, P. et al., 2014). Relational networks and social capital are related factors that influence the way and process of early international enterprises.

Table 2: Different standards of judgment for born global firms

Author	Export earnings as a proportion of total income	Time
McKinsey & Co., 1993	> 76%	≤ 2 Years
Knight & Cavusgil, 1996	≥ 25%	≤ 3 Years
McAuley, 1999		≤ 1 Years
Zahra, 2000	≥ 5%	≤ 6 Years
Moen, 2002	≥ 25%	≤ 3 Years
Knight & Cavusgil, 2004	≥ 25%	≤ 3 Years
Mort & Weerawardena, 2006	≥ 25%	≤ 3 Years
Servais et al., 2007	≥ 25%	≤ 3 Years

Source: Summary based on relevant literature

III. RESEARCH METHODOLOGY

The influence of network ability on the international performance of born global firms in China is influenced by many factors. This influence can be used to test the corresponding theoretical propositions through empirical analysis methods, and then explore the effective international growth path of born global firms (Johanson & Mattsson 1988; Nahapiet & Ghoshal 1998; Lin et al. 2001; Zhou, L., Wu, W.-P., Luo, X., 2007; Zhang Baojian, 2015; Wangzengtao, Zhangyuting & Jiangmin, 2017; Tolstoy, Daniel & Henrik Agndal, 2010; Pletnev, D., Fink, O., & Dyachenko, O., 2020). According to the characteristics of the questionnaire data, the reliability and validity analysis, exploratory factor analysis and verification factor analysis are used to ensure the credibility and validity of the data. On this basis, the structural equation model is used for hypo dissertation test, including correlation analysis, intermediate effect test, model fitting and correction.

IV. DATA ANALYSIS

PLS (Partial Least Squares) SEM-VB (Structural Equation Modelling-Variance Based) was employed to assess the research model by utilising the

software SmartPLS 3.0 (Ringle, Wende, & Becker, 2015). A two-phase analytical technique (Anderson & Gerbing, 1988; Hair, Hult, Ringle, & Sarstedt, 2017) consisting of (i) measurement model analysis (reliability and validity) and (ii) structural model analysis (examining the conceptualised relationships) was employed after performing the descriptive assessment. This two-phase analytical technique consisting of a structural and a measurement model assessment is better than a single phase assessment (Schumacker & Lomax, 2004; Hair et al., 2010). While the model of measurement explains each parameter's measurement, the structural model describes the correlation between the parameters in this model (Hair et al., 2017).

4.1 Descriptive analysis

Table 1 presents the mean and standard deviation of each variable in the current study. The respondents were asked to indicate their opinion in relation to transformational leadership and human capital based on a 5-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). Firms' performance score the highest with mean 3.74 out of 5.0, with a standard deviation of 0.91.

4.2 Measurement Model Assessment

Construct reliability as well as validity (comprising discriminant and convergent validity) were used to examine the measurement model. The particular alpha coefficients of Cronbach were tested to determine the reliability of every core parameter in the measurement model (construct reliability). The quantities of all the unique alpha coefficients of Cronbach in this research ranged from 0.897 to 0.963, which went beyond the proposed value of 0.7 (Kannana & Tan, 2005; Nunnally & Bernstein, 1994). Moreover, for inspecting construct reliability, all the CR (composite reality) values ranged from 0.924 to 0.968, which went beyond 0.7 (Werts, Linn, & Jöreskog, 1974; Kline, 2010; Gefen, Straub, & Boudreau, 2000). Thus, as Table 1 shows, construct reliability has been fulfilled as Cronbach's CR and

alpha were rather error-free for all the parameters. Analysis of indicator reliability was conducted by utilising factor loadings. When the related indicators are very similar, this is reflected in the construct and signified by the construct's high loadings (J. F. J. Hair et al., 2014). As per Hair et al. (2010), the exceeding of values beyond 0.70 suggests substantial factor loadings. Table 1 displays that all articles in this research had factor loadings greater than the suggested value. AVE (average variance extracted) was employed in this study to analyse convergent validity, which represents the degree to which a measure is correlated positively with the same construct's other measures. All the AVE values ranged from 0.707 and 0.772, which went beyond the proposed value of 0.50 (J. F. Hair et al., 2010). Thus, all constructs have complied with the convergent validity acceptably, as shown in Table 1.

4.3 Structural Equation Model

Data acquisition is the basis of quantitative research. The data of the empirical research in this paper mainly comes from the questionnaire. Therefore, this paper first analyzes the choice of the subject, the design of the questionnaire, the distribution and recovery of the questionnaire, and describes the data recovered. Secondly, with regard to the variables involved in the questionnaire, this paper explains the specific measurement terms and corresponding research objectives of the interpretation variables, intermediate variables, interpreted variables and control variables. Finally, this paper explains the analytical methods used in empirical research, including reliability and validity analysis, structural equation model and soon. According to the analysis of the fifth section, researchers can use reliability and validity analysis to detect the consistency and stability of the data. In this paper, the reliability test mainly adopts a more common internal consistency method, that is, using the Cronbach's a coefficient to determine. In this part of validity analysis, we focus on the analysis of constructive validity, mainly through the two tools of exploratory factor analysis and verification factor analysis.

Table 3: Structural path analysis result

Hypothesis	Relationship	Std Beta	Std Error	t-value	P-value	Decision	R ²
H1	VCA→FP	0.512	0.072	7.098	0.000	Supported	0.61
H2	ABC→FP	0.368	0.070	5.235	0.000	Supported	

Key: VCA: value chain analysis, ABC: activity-based costing, FP: firms' performance.

4.4 Importance-Performance Map Analysis (IPMA)

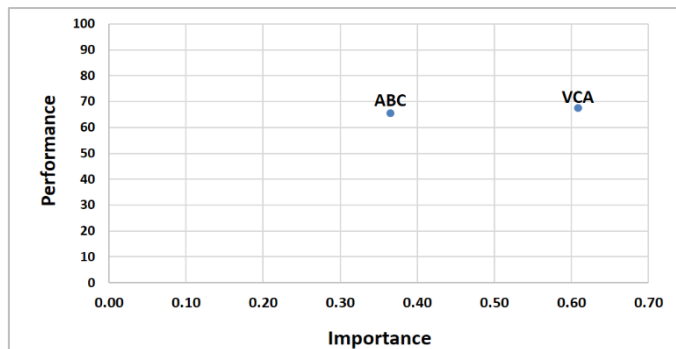
Importance-performance matrix analysis (IPMA) was employed as a post-hoc PLS procedure in this study, with the firms' performance used as the outcome construct. According to Hair et al. (2017), the IPMA provides an estimation of the total effects corresponding to the importance of predecessor constructs in affecting the target construct (firms' performance); the average latent variable scores correspond to their performance, whereas the index values' (performance scores) calculation was achieved by rescaling the scores of the latent constructs to within a range from 0 (lowest performance) to 100 (highest performance). IPMA enhances the results of PLS analysis (Ringle & Sarstedt, 2016) because it gives attention to the latent constructs' average value as well as their indicators (the performance dimension) in addition to performing the path coefficients analysis (the importance dimension). The results for total effects (importance) and index values (performance) of the IPMA of the outcome construct firms' performance is displayed in Tables 4.2

Table 4: IPMA for firms' performance

Latent constructs	Total effect of the construct firms' performance (Importance)	Index values (Performance)
Value Chain Analysis (VCA)	0.609	67.376
Activity-Based Costing (ABC)	0.365	65.598

The scores for total effects and index values were plotted on a priority map (refer to Figure 4). It can be observed that value chain analysis is a very important factor in determining the firms' performance due to its relatively higher importance value compared activity-based costing. In sum, in

order to improve the firms' performance, the managerial activities should focus on enhancing the performance of value chain analysis.



Key: VCA: value chain analysis, ABC: activity-based costing

Figure 1: IPMA (Priority Map) for firms' performance

4.5 Reliability test of networkability

In this paper, the threshold value of the Cronbach's a coefficient is 0.7. If the Cronbach's a coefficient is greater than 0.7, the sample data is considered to have internal consistency. Table 6-2 shows the Cronbach's a coefficient corresponding to the 5 dimensions of network capabilities. It has been verified that the Cronbach's a of the five dimensions is greater than 0.7, indicating that the scale has a good reliability and meets the requirements of the study. Following is the SEM model of this research paper.

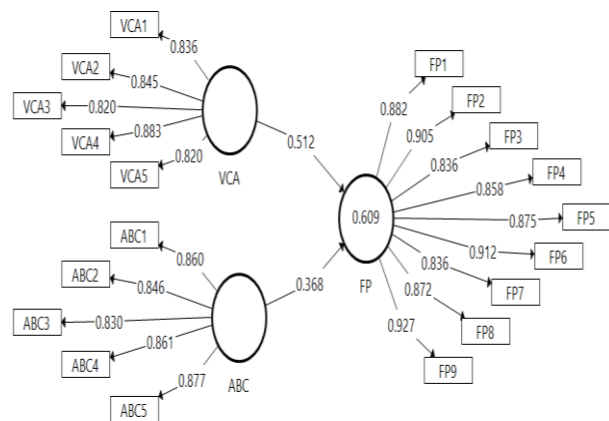


Figure 2: Structural Equation Modeling for Mediation Analysis

Hypotheses Tests

Figure 2 and Table 5 depict the structural model assessment, showing the results of the hypothesis tests, with 2 out of the 2 hypotheses are supported. Value chain analysis and activity-based costing positively influence firms' performance. Hence, H1 and H2 are accepted with ($\beta = 0.512, t = 7.098, p < 0.001$) and ($\beta = 0.368, t = 5.235, p < 0.001$) respectively. The strength of the relationship between exogenous and endogenous constructs are measured by the standardised path coefficients, which in this case show that the direct effects of value chain analysis on firms' performance is stronger than the influence of activity-based costing on firms' performance. Sixty-one percent of the variance in firms' performance is explained by value chain analysis and activity-based costing. The values of R² have an acceptable level of explanatory power, indicating a substantial model (Cohen, 1988; Chin, 1998).

Table 5 : Results of discriminant validity by the cross loading

	VCA
VCA1	0.836
VCA2	0.845
VCA3	0.820
VCA4	0.883
VCA5	0.820
ABC1	0.443
ABC2	0.480
ABC3	0.508
ABC4	0.495
ABC5	0.458
FP1	0.605
FP2	0.690
FP3	0.646
FP4	0.576

FP5	0.626	Fit advantage index	0.875						
FP6	0.643		0.584						
FP7	0.599		0.912						
FP8	0.615		χ^2/df	GFI	AGFI	NFI	CFI	RMSEA	IFI
FP9	0.668		2.625	0.951	0.932	0.946	0.985	0.031	0.983
			0.547	0.836		0.872			
			0.659			0.927			

Key: VCA: value chain analysis, ABC: activity-based costing, FP: firms' performance.

Internal consistency analysis of network capabilities

The measurement clause on its corresponding common factor is greater than 0.5, and it does not appear that the load is greater than 0.5 in more than two common factors indicating that the currently constructed scale has a good distinction. Validity. At the same time, the cumulative contribution rate of the difference between the two public factors reached 89.229 %, which is higher than required standard of 50%.. According to the overall fitting index shown in tables 6-9, the / df2 of the network capacity is 2.625, which is less than the critical value 5; The GFI value is 0.951, the AGFI value is 0.932, the NFI value is 0.946, the CFI value is 0.985, and the IFI value is 0.983, which is greater than the critical value 0.9; At the same time, the RSMEA is 0.031, less than the critical value of 0.05, and each indicator data conforms to the test standards formulated in this paper. Therefore, the overall fitting status of the model is good.

Table 6 : Estimated recognition and development scale measurement parameters

Potential variable	Measure Item	Standardization Coefficient	T Value	Standardization Error	combination Reliability	AVE
International Opportunity Identification	F1	.753		.432	0.871	0.536
	F2	.691	11.120	.480		
	F3	.820	12.845	.377		
	F4	.747	12.113	.362		
International Opportunities Development	G1	.786		.503	0.832	0.513
	G2	.712	12.65	.429		
	G3	.728	11.983	.316		

The sample data sampling principal component analysis method involving international performance was used to select the common factor with a feature value greater than 1 through the maximum orthogonal variance. It was found that the characteristic value of a total of 3 factors was greater than 1, which conforms to the framework established in the theoretical part above., Internationalized performance is divided into three dimensions: international financial performance, international market operation performance and international strategic performance. At the same time, according to the method specified above, the measurement terms are purified and the terms of the original questionnaire on international performance are all in line with the standards. Therefore, there are 9 terms for measuring international performance, and the results after the maximum orthogonal rotation of variance are shown in Table 6. Factor 1 represents international financial performance, factor 2 represents international market performance, and factor 3 represents international strategic performance. Tables 6-12 show that the load of each measurement clause on its corresponding common factor is greater than 0.5, and that there will be no load greater than 0.5 in more than two common factors at the same time, indicating that the currently constructed scale has a good distinction. degree. At the same time, the cumulative contribution rate of the three public factors to each other reached 71.493 %, which is higher than the required standard of 50%..

Testing of Intermediate Variables

According to the definition of Baron and Kenny(1986) 1, the intermediate variable, as a link

between the two variables, aims to explain how the independent variable affects the specific process of the dependent variable. Figure 6-1 intuitively presents a simple three-variable mediation model. There is a clear causal relationship between the premise variable X and the variable Y of the intermediate variable. If it can be further proved that the independent variable X affects the dependent variable Y through the variable M, in this case M can be considered as the intermediate variable of X and Y. In the figure, the effect of independent variables on dependent variables can be divided into total effect (c), direct effect (c'), and indirect effect (a × b).

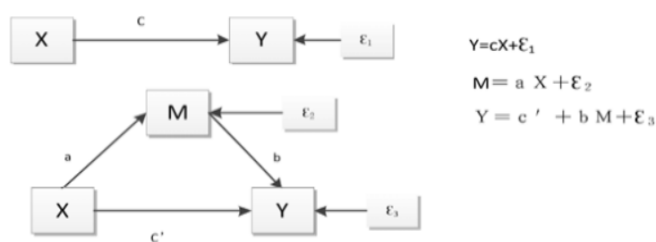


Figure 6-1 Model of intermediate effects

The test methods for intermediary effects include different types of causal analysis, coefficient multiplication, and Bootstrapping. Among them Baron & Kenny (1986) put forward the causal analysis method is the most widely used, this paper uses this method to judge the intermediary effect. The specific formula of the method is as follows and contains three regression formulas:

$$Y = \beta_0 + cX + \epsilon$$

$$M = \beta_1 + \alpha X + \epsilon$$

$$Y = \beta_2 + bM_e + c'X + \epsilon$$

① The first regression is used to test the effect of the independent variable on the

dependent variable, requiring that C is not significantly equal to 0

② The second regression is used to test the effect of the independent variable on the intermediate

variable, requiring that a is not significantly equal to 0

③ The third regression includes the intermediate M and the dependent variable X. The first requirement is that B is not significantly equal to 0.

It shows that the intermediary variable has an impact on the dependent variable. Therefore, the three necessary conditions for determining the existence of the intermediate effect can be called C involving 0, a involving 0, and B involving 0. Secondly, if C 'is equal to 0, it is a complete intermediary effect; If C 'is not significantly equal to 0, it is partially mediated. Intermediary effect test in this paper is divided into three steps according to the above steps. First, the correlation analysis of independent, dependent and intermediate variables has been carried out in the first subsections of this section. Secondly, this research establishes that the data in the table mainly extracts the path coefficients and significant probabilities. The results show that the influence path coefficient of each relation decreases when the intermediate variable is added, which verifies the existence of the intermediary effect. Thirdly, it is found that the two intermediary variables, international opportunity recognition and international opportunity development, play a part in the relationship between network construction ability, network relationship management ability, communication ability and enterprise internationalization performance. The two intermediary variables of international opportunity recognition and international opportunity development play a full intermediary role in the relationship between network vision ability, network occupancy ability and international performance.

Test for Structural Equation Model Correction

According to the results of Table 6, the effect of the initial fitting of the overall model is not ideal. It is mainly reflected that the fitting index does not reach the ideal state, and some paths appear to be insignificant. Therefore, this paper intends to revise the model of initial fitting. From Table 6-19, it can

be seen that the modified overall model fitting effect is good, and all the fitting indicators have been improved to a certain extent. Among them. Absolute fit index card index / df2 is 2.055, less than 3; The mean square root RMSEA of the approximate error is 0.030, less than 0.05; Relative fitting indicators GFI, AGFI, NFI, CFI, and IFI were 0.924, 0.933, 0.941, 0.936, and 0.951, respectively, higher than 0.9.

Validation of Relationship Assumptions

After analyzing the factors of the sample data and testing the hypothesis based on structural equations, the empirical part verifies the model constructed in the theoretical part. The results are shown in Table 6. Tables 6 shows that the 17 paths proposed in the original hypothesis, of which 12 are supported by empirical tests, and the remaining 5 paths are not significant under the sample data conditions of this article and cannot be verified. The details are summarized as follows:

Based on the theory of relational network theory, resource theory, knowledge management theory and dynamic ability, this paper studies the international operation and performance of global enterprises with the cross features of knowledge of international business, international entrepreneurship and strategic management. Taking enterprise network ability as the research entry point, this paper discusses its direct and indirect effects on the international performance of born global firms. According to this research proposition, the paper constructs a conceptual model of theoretical research and carries out an empirical study on sample data of 219 born global firms from Zhejiang Province. In terms of empirical methods, the paper uses structural equations to test the effectiveness of the model. The main research conclusions are summarized as follows: In this paper, the network capabilities of born global firms are divided into the following five dimensions: network vision capabilities, network construction capabilities, and network relationship management capabilities.

Network occupancy and internal communication capabilities. This paper discusses the core of entrepreneurship theory-opportunities, summarizes the meaning of international opportunities for born global firms, and divides international opportunities for born

1. The global firms into two main dimensions: international opportunity recognition and international opportunity development. Through exploratory analysis and validation analysis of sample data, the dimension division and scale composition of network capability, international opportunity and international performance are determined.

2. Based on the relationship network theory, the international entrepreneurship theory, the knowledge base view and the dynamic ability view, it is proposed that most of the dimensions of the born global firms network capabilities have a significant positive impact on international opportunity recognition. But the network occupancy ability has no significant positive effect on international opportunity recognition.

V. CONCLUSION

It is not just planning and thinking at the level of planning and vision. Therefore, while the network vision capability can help companies plan the composition and structure of network partners at the strategic level (Law et al. 2019a; Nummela, N., Saarenketo, S., Jokela, P. et al, 2014; Ruokonen, M., &Saarenketo, S, 2009), it can help companies identify international business opportunities at the planning level (Anil Kumar Goswami, 2019; Fink, O., &Dyachenko, O., 2020). However, there is no direct positive impact on the timeliness and execution of the allocation and mobilization of enterprise resources required for the development of opportunities (Houmin&Guchunmei, 2016; Law et al., 2019d). Therefore, the positive effect on the development of international opportunities is not significant. This paper only reveals the mechanism of network capability, international opportunity

recognition and development on the international performance of born global firms (Zhoujingbo, Huang Sheng., 2010; Zhou, L., Wu, W.-P., Luo, X., 2007), and further research can deeply explore the contextual factors that regulate the relationship between network capability, international opportunity recognition and development, and international performance.

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