Corporate Environmentalism: A Case Study in the Czech Republic

Pavel Adámek

Abstract—This study examines perception of environmental approach in small and medium-sized enterprises (SMEs) – the process by which firms integrate environmental concern into business. Based on a review of the literature, the paper synthesizes focus on environmental issues with the reflection in a case study in the Czech Republic. Two themes of corporate environmentalism are discussed – corporate environmental orientation and corporate stances toward environmental concerns. It provides theoretical material on greening organizational culture that is helpful in understanding the response of contemporary business to environmental problems. We integrate theoretical predictions with empirical findings confronted with reality. Scales to measure these themes are tested in a survey of managers in 229 Czech firms. The results of the empirical mapping demonstrate Czech company’s approach to environment and define the problem of the SMEs sector. The results of the empirical mapping demonstrate Czech company’s approach to environment and define the problem of the SMEs sector. We contribute to the debate for recognition of the particular role of environmental issues in business reality.

Keywords—Corporate environmentalism, Czech Republic, empirical mapping, environmental performance.

I. INTRODUCTION

The paper reports corporate environmentalism based on a review of the literature and defines the concept of corporate environmentalism and the assessment and measurement of environmental performance. Two themes of corporate environmentalism are discussed – corporate environmental orientation and corporate stances toward environmental concerns. Scales to measure these themes are tested in a survey of managers in 229 Czech firms. This paper reports on the findings of a survey that was designed to fill the gaps in relation to connection of the environmental approach in terms of Czech small and medium-sized enterprises (SMEs). The first goal was to provide an overview of Czech SMEs approach in environmental issues. We assumed that environmental concerns are at very low levels of usage. The second goal was to characterize the current situation in environmental activities reflecting Czech’s different business and ecological contexts. Thirdly, we were interested in finding out what is attributed as “basic environmental activities” to the sample of the Czech managers or executive seniors.

The paper continues, first the brief characteristic of literature review of corporate environmentalism meaning and terminology in relation of environmental responsibility, environmental performance and corporate stances toward environmental concerns. Secondly, we define the current approach of environmental usage in the Czech Republic – a case study in SMEs sector. We define the key activities in the environmental issues. Finally, we conclude in final part of conclusion and discuss the implications of the findings.

II. LITERATURE REVIEW

In business studies, sustainable development is usually conceptualized as corporate environmentalism [23], [24], [2]. Corporate environmentalism represents “processes by which firms integrate environmental concerns into their decisions” [21] p. 117, and is defined as “the organization-wide recognition of the legitimacy and importance of the biophysical environment in the formulation of organization strategy, and the integration of environmental issues into the strategic planning process” [21] p. 181. According to Banerjee [21] integrating environmental concerns into managerial decisions - that is, corporate environmentalism - requires managers to simultaneously consider three perspectives: the environment, the stakeholders, and the organization’s competitive advantage.

Among the former, studies have pointed according to Perkins [19] to the role of regulatory pressure from governments and civil society, together with market incentives in terms of improved cost competitiveness and access to environmentally demanding customers [18], [12], [17]. In terms of the latter, barriers have been identified primarily as technological and financial in nature with firms’ capabilities limit their ability to improve environmental performance [15], [3].

Integration of this concept in relation to corporate environmentalism into an organization can be seen Cherrier; Russell; Fielding, [3] three areas:

1. a paradigm shift calling for a change in managerial mindset toward environmental concerns (see also: Gladwin et al. [27];
2. a stakeholder issue by which managers should respond to the diverse needs of employees, customers, shareholders, public interests, and the natural environment (see also: Epstein and Widener, [10]);
3. a strategic issue where integrating environmental consideration in business decisions provides competitive advantages to the firm [21].

For establishing and implementing elements of corporate
environmentalism applies that managers and senior executives focus on concerns for economic a profit growth, environmental stewardship, and social welfare when making business decisions. This growing trend appears to reflect changes in the external environment of market systems: Increased regulatory forces and public environmental concern have the potential to influence business actions. Governmental monitoring and control of ecological impacts of business activity is a process that is designed to minimize the negative consequences of environmental damage. These macro level actions attempt to address societal concerns about environmental issues and have strategic implications for business firms that are manifested at the micro level [21].

Corporate environmentalism has the potential to chase existing ways of thinking in organizations and organizational members are important agents of change in this process. In several firms, senior managers have helped develop and implement environmental management strategies [14]. Thus, understanding how managers interpret environmental issues facing their firm is an important step in attempting to understand the development of pro-environmental organization behavior as it is the attitudes and behaviors of managers that shape corporate behavior [8].

Institutional approaches have predominantly been applied to understand the spread of corporate environmental practices at the national level, a growing number of scholars have also documented - or else hypothesized - how isomorphic mechanisms may transcend national borders via various transnational linkages to foster cross-national environmental convergence [7]. Among other things, they have highlighted how trade ties potentially lead to the transmission of coercive pressures from high-regulating to low-regulating countries, fostering convergence in private or public environmental standards through a trading-up effect [16], [20], [11]. Scholars have also described how international contact via international and transnational linkages has created demand for environmental protection through the spread of norms of environmentalism [6].

Understanding corporate environmentalism is of both theoretical and practical importance. Public policy initiatives aimed at reducing environmental impact of businesses can be more effective if the process of how business firms integrate environmental issues is better understood. Environmental strategic alliances, involving relationships with other business firms, environmental agencies, or governmental agencies, are becoming increasingly common [22]. There have been several attempts to establish theoretical linkages between the biophysical environment and business organizations. According Banerjee [21] we adopted approach of three themes in theoretical positions of corporate environmentalism involve framing it as a paradigmatic shift, as a stakeholder issue, or as a strategic issue.

Corporate environmentalism involves the recognition by firms that environmental problems arise from the development, manufacture, distribution, and consumption of their products and services. Integrating environmental issues in the strategic planning process is another theme of corporate environmentalism.

III. CORPORATE STANCES TOWARD ENVIRONMENTAL CONCERNS

There are a number of hierarchically conceptualized descriptive frameworks that identify several phases or approaches (see [26] p. 229). Here, we draw most heavily on Dunphy, Griffiths, and Benn’s [5] hierarchically arranged stances, although some of their descriptions are adapted both to distinguish among phases and to integrate additional models. Dunphy et al. distinguish six phases and discuss their intersections with social responsibility: rejection, nonresponsiveness, compliance, openness, integration, and collaboration [4].

Rejection entails a singular focus on immediate economic gain. In this approach, exploitation of any available resources (employees, the natural environment, government regulations, and communities) should be maximized to enhance profit. There is a conscious rejection of any obligation that does not enhance profit. Corporations are increasingly adopting the less obvious stances. By understanding this need to be compatible with legal and ethical societal customs, then, we can understand how corporations can be encouraged to adopt more environmentally responsible stances while acting in the best interests of owners [9].

Nonresponsiveness is characterized by a lack of awareness of interests other than immediate financial viability. Rather than actively rejecting a concern for the environment, this stance entails a benign negligence. Environmental consequences, like consequences of corporate behaviours for people, are simply outside the scope of the corporation and not on the corporate agenda. Corporations turned increased attention to the environment. However, to the extent that laws are not enforced and/or noncompliance does not affect profit, and an unchallenged industry ethos supports nonresponsiveness, this remains a feasible stance.

Compliance involves awareness that negative sanctions can be harmful to the corporation’s bottom line. Organizations adopting this approach respond to threats such as bad publicity, community action, and/or legal sanctions. Compliance may involve both adapting to external pressures and attempting to control those pressures. Companies that are compliant, then, follow legal constraints. Moreover, they attempt to adapt to stakeholder expectations to avoid undue criticism. Porter suggests that well-designed regulation can be responded to with increased innovation, helps create predictability, and helps corporate awareness [5].

While it may seem surprising that some organizations would not adopt a stance of compliance, it makes sense that unless enforcement is expected and compliance is rewarded, a company might find that the cost of compliance far outweigh the benefits.

Openness connotes a sense of a need to both achieve an environmental record and to share information with external stakeholders. In part, this information sharing is mandated by law. More and more companies are publishing environmental
reports or incorporating environmental performance into their annual reports. With increasing scrutiny, companies may benefit from warding off distrust from potential critics. In doing so, they also increase openness among employees an information sharing becomes more prevalent.

Integration is adopted as corporations assume that social and environmental responsibility can pay either immediately and directly, or perhaps in the long run and indirectly. This stance represents a shift from a more defensive posture to an assumption that an environmental focus can be a positive benefit for the organization. Rather than viewing an environmental focus as a cost or imposition, through efficiency savings, a company can realize positive gains from its environmental attention.

Collaboration may be developed through any number of processes. However, it is logical to anticipate that, in the process of developing strategy, the vision and mission statements are involved, and in implementing strategy, corporations often need to consider their relationships not only with employees, but with their external stakeholders. As they adopt a stance that is strategically proactive, then, they may go further by advancing stakeholder relationships. These collaborative relationships take many forms such as partnerships, committees, project collaboration, marketing to the green consumer sector, encouraging environmental and social responsibility among suppliers, citizen advisory groups, or various suggestion systems [4].

These six phases just described give us an overview for understanding the role of the companies in relation to the corporate issues. Rejection and nonresponsiveness assume that environmental concerns are irrelevant to organizational purposes. Compliance, openness, integration, and collaboration attend to the legal and societal context within which an organization must operate. Integration and collaboration maximize the organization’s interests in profit by adapting to internal and external interests in environmental concerns. Although there is a general trend moving from rejection toward collaboration, all of these phases are currently feasible, and various organizations do align themselves with each phase.

IV. ENVIRONMENTAL RESPONSIBILITY IN THE CZECH REPUBLIC

There is growing public consensus that both individual and businesses have an ethical obligation to conserve and protect the environment as a common inheritance. The problem is that environmentally sound decisions often do not mirror those that optimize corporate profits. Many organizations will fail to take environmentally friendly actions unless required by law to do so [13] p. 161. Environmental laws reflect this tension and generally establish regulatory schemes to minimize, but not completely prohibit, environmental harms. The following section will approach introduced in the Czech Republic in environmental issues addressed in short history overview in legislation and basic institutional framework.

The harmonization of Czech law with EU legislation, and the Czech Republic's accession to the European Union, contributed to major advances in the promotion of environmental issues. As long ago as 1998 the Czech Republic adopted, among other things, rules for the introduction of Eco-Management and Audit Scheme (EMAS), and prepared the first National EMAS Program. The program was updated in 2002 and is currently governed by EC Regulation no. 761/2001. In order to fully participate in this program, companies must, among other things, introduce an environmental management system which contributes to the continuous improvement of their environmental conduct. In 2013 there were 29 Czech organizations registered in the EMAS Registry, and another 1.500 in the EMS system (ISO 14001) from Czech Environmental Information Agency. The milestone in building foundations of environmental issues was August 2003, when the Sustainable Development Council of the Czech Government (SDCG) was established as a standing advisory body of the Government for sustainable development and strategic management.

In the Czech republic are acting two organizations in the field of legislative provision – Ministry of the Environment of the Czech Republic (ME) and Czech Environmental Information Agency (CENIA) with the mission to collect, review, interpretation and distribution of environmental information. Environmental policy and instruments are developed by ME and the principal purpose of environmental policy is to provide a framework and guidelines for decision-making and activities at the international, national, regional and local levels aimed at further improvements in the environmental quality as a whole and in the quality of environmental components. Environmental policy focuses on enforcement of sustainable development principles, continuing integration of the environmental perspective into sectorial policies, and increasing the economic efficiency and social acceptability of environmental protection programmes, projects and activities.

A. Environmental Impact Assessment

In a nutshell, development of the Environmental Impact Assessment (EIA) process was implemented into the Czech Republic’s legal system on 1 July 1992, upon the entry into force of Czech National Council Act No. 244/1992 Coll., on environmental impact assessment. The process constituted both an important element in the system of preventive environmental protection instruments and, simultaneously, a significant component of environmental policy.

As of 1 January 2002, Czech National Council Act No. 244/1992 Coll., namely its section pertaining to impact assessment of projects, was superseded by Act No. 100/2001 Coll., on environmental impact assessment and amending some related regulations. On 1 May 2004, Act No. 100/2001 Coll. was amended by Act No. 93/2004 Coll., which regulates, in accordance with the laws of the European Communities, the assessment of environmental impacts and impacts on public health and the procedures to be adhered to by individuals, legal entities, administrative authorities and self-governed territorial units (municipalities and regions) in the course of such assessments.
In addition to that, the Act also newly regulated the assessment of environmental impacts of concepts and abolished the valid Czech National Council Act No. 244/1992 Coll., on the assessment of environmental impacts of development concepts and programmes. Concurrently, the transitional provisions of the Act (Section 24) stipulated that assessments which had been started prior to the effective date of the Act shall be completed pursuant to Act No. 244/1992 Coll. In view of the individual cases on which work had already been in progress to a considerable extent, several concepts and projects were being assessed pursuant to the original Act No. 244/1992 Coll. as late as 2006.

As of 27 April 2006, Act No. 100/2001 Coll., as amended by Act No. 93/2004 Coll., was amended by Act No. 163/2006 Coll. Among other things, the Act also took into account the so-called ‘below-limit projects’, which was reflected in the statistics for the relevant year, namely as an increase in the number of submitted notifications under Section 6 of the Act.

As of 22 August 2007, Act No. 100/2001 Coll. was amended by Act No. 216/2007 Coll., which regulates impact assessment of below-limit projects and this step reduced the administrative strenuousness.

The objects of compulsory assessment consist of plans (projects) for construction, activities and technologies listed in Annex No. 1 of Act No. 100/2001 Coll., as amended by Act No. 93/2004 Coll., Act No. 163/2006 Coll., Act No. 186/2006 Coll., Act No. 216/2007 Coll., and their amendments pursuant to Section 4.1. The Ministry of the Environment, in accordance with the provisions of Article 21 and the regional authority in accord with the provisions of Section 22 of this Act, provide for assessment of these plans (projects). The results of the process are employed as a professional basis for subsequent decision-making processes on the issuance of a permit for the plans (projects).

Objects of compulsory assessment also include plans (strategies) and Land-Use Planning Documentation, the assessment of which is carried out in accordance with the provision of the Building Act. The process of strategic environmental impact assessment (SEA) is based on the systematic examination and assessment of the potential environmental impact. The purpose of this is to determine, describe and carry out comprehensive evaluation of the expected impacts of prepared plans (strategies) on the environment and public health in all decisive contexts. The Ministry of the Environment, in accordance with the provisions of Article 21 and the regional authority in accord with the provisions of Section 22 of this Act, provide for assessment of these plans (projects).

The implementation of voluntary instruments (or voluntary environmental activities) at the corporate level is thus of great importance both for the business itself and for society as a whole. The preventive nature of the voluntary instruments leads to a sounder environment, thus significantly contributing to the realisation of sustainable production and consumption, or sustainable development. There are then other benefits at the corporate level, such as improved competitiveness, better image, and operational cost savings.

**D. Environmental Education and Consulting**

Environmental education and awareness raising and environmental consulting are important preventive instruments within the State Environmental Policy of the Czech Republic. The purpose of environmental education is to encourage the population to act and think in line with the sustainable development principles, to be aware of their responsibility for the maintenance of the environmental quality and to respect life in all its forms.

Above all, environmental education is an indispensable tool within the lifelong learning process. Its benefits consist in the gaining of knowledge, including the latest research results and scientific findings, new legislative regulations, outreach methods and application of knowledge and experience in the professional or private spheres. The principal task of education is systemic work with the young generation (including preschool children) in order for them to adopt the values and patterns of conduct required for environmental protection and management. The tasks of awareness rising are largely
informative and focus on the adult population and the public in general.

Environmental consulting provides the public with qualified expert advice and recommendations, popularises research results and scientific findings for the benefit of the environment, brings environmentally friendly living standards closer to the needs of the public, and influences the public in the sense of sustainable societal development.

The Ministry of the Environment is the principal guarantor for the co-ordination of environmental education and awareness raising and the department in charge of the promotion of environmental consulting in the Czech Republic. The functioning of environmental education is the result of many years of joint efforts of state institutions, professionals, organisations and non-governmental organisations (NGOs). The promotion of the environmental education and consulting system is implemented largely in the form of necessary legislation and differentiated funding, development of methodologies and topics, information dissemination and awareness raising among the public, communication with the public and functioning networks of training centres.

V. ENVIRONMENTAL PERFORMANCE

Corporate environmentalism, i.e. the recognition and integration of environmental concerns into a firm’s decision-making process, is one way that business can address environmental issues. The more environmentally friendly a company’s behaviour is, the higher its environmental performance. And vice versa – the greater the damage a company causes to the environment, the poorer its environmental performance. Effects on the environments are analysed separately for each of its components, which are, e.g., the use of land or resources, release of harmful substances to the atmosphere, water and soil over the entire life-cycle of the product, etc. [25].

A combination of environmental dimensions into a single indicator requires that relative importance of different effects on the environment be assessed from the point of view of their respective weights. Some studies (see also [25]) measure environmental impact according to whether the company applies environmental policies, an environmental management system, or whether it has an environmental specialist who manages the impact of his company on its environment and reports on the company’s approach to environmental issues. Measurements based on the elimination of company’s activities with respect to the environment may not provide an accurate picture of the company’s impact on the environment. The relevant effect is measured in this study by the amount of money spent to protect it. However, there is a problem of defining this amount of costs to eliminate pro-ecological operations. Many cost items are left out, if the demonstration of these costs and knowledge of their existence is restricted (e.g. impacts of the quality of products and regulation delays, management of time spent on questions related to the relevant issues etc.)

At present, when the companies ‘aim is creating a high market value, their management must focus on all the aspects of the company’s impacts that will, in turn, provide a comprehensive view of the company. Such impacts include the company’s environmental behavior in the meaning of responsibility for the environment, and it has been demonstrated that environmental initiatives also produce economic benefits. The introduction of cleaner technologies, optimization of technologies that reduce the need of resources, environmental management systems (EMS) such as ISO 14001, EMAS and other voluntary tools lead to a safe improvement in the company’s environmental status [1].

The assessment and measurement of environmental performance must be in compliance with the business strategy and objectives of the companies. In this case, the performance can be clearly proved. The assessment and measurement support not only the responsibility for the performance, but they also provide a feedback about the impact of the initiative on maintaining sustainability, emphasize the meaning of identifications and the understanding of the cross relationships between various alternative actions and their impact on the financial and non-financial performance. During these processes, the social and economic problems stemming from the existing management and control of the performance are to a certain extent incorporated. To assess and measure the performance, use is made of sustainable performance metrics and key performance indicators. The development of the ecological performance indicators help measure the organization in relation to the environment.

The environmental profile is a measure of the impact the company’s activities, products and services have on the environment, i.e. it characterizes the company’s approach to the environment. The environmental profile, too, is a multidimensional concept: activities of a company may lead to different environmental impacts [1].

VI. A CASE STUDY IN CZECH SMES IN ENVIRONMENTAL APPROACH

The research task was focused on analyzing of usage the environmental activities in Czech SMEs. The main area of research was focused on environmental activities and was examined utilization rates of selected activities in environmental area.

The research was based on the scheduled progress of the research, selection and identification of respondents (entrepreneurs, senior executives or managers responsible for the subject area covered by the CSR activities), data processing and analysis. The following research question is derived and tested after being presented here in the context of the corresponding CSR literature in which they are respectively anchored.

- Research question – “Are the most significant environmental activities based on a voluntary approach?”

Primary research represents entrepreneur answers from the micro, small and medium-sized enterprises in connection with the use of responsible activities in environmental issues. Large companies (such as international, multinational, that fulfil the criteria of this classification according to EU) were excluded from the research and will be the subject of further follow-up
research. After setting objective and hypothesis was developed questionnaire (chosen as the technique of the research). This technique of data collection was completed by interviews with managers, senior executive or entrepreneur owners.

To obtain information, the SMEs in the total number of 2000 firms and the total return were 12% (240 questionnaires). After checking the formal correctness was excluded 11 questionnaires that were not properly completed and in the research were included 229 completed questionnaires. It was a exploratory research based on a random selection of respondents in the SME sector. Different calculation methods are always given for the interpretation of results both individually and for tables or figures. In absolute numbers, was represented by 104 micro (45%), 73 small (32%) and 52 medium-sized (23%) enterprises. Total number of questionnaires included for the purpose of research was the 229.

A. Research Findings

Firstly we measure the significance of responsibility of SMEs behaviour towards the environment. For the interpretation of the output was used an approach that took into account both frequency response and attributed to the weight (interval 0-10 points; 0 means minimum score, 10 means maximum score). It is obvious that micro, small and medium enterprises attach importance to a very similar responsible behaviour towards the environment. From environmental issue we presented the results which show a relatively high importance of responsible behaviour towards the environment for all companies. For illustration were used as weights range and frequency response, then the arithmetic means were calculated for all categories of SMEs.

Table I shows results of significance of responsibility of SMEs behaviour towards the environment -particularly in micro-enterprise (7,13 points), for small business (6,99 points) and greater importance is placed on medium-sized companies (7,85 points). 72% of respondents claim to environmental responsibility and attributed most of that weight in the range of 7-8 points, which demonstrates the great importance of this approach.

In the Table II are interpreted results of selected environmental activities of Czech SMEs. The activities are sorted according to the results of responses and show the proportion of responses of SMEs. Activities such as planning environmental impacts on the consumption of resources and material and evaluation of waste are used almost a third of companies, but rather activities such as optimization of the manufacturing process to minimize environmental impacts, existing employee policy for assurance in environmental company’s issues, planning environmental impacts of energy consumption, planning environmental impacts on water consumption and impact assessment of air pollution and ozone layer are used by approximately a fifth of companies. The result shows a tendency to prefer activities with greater impact on possible cost reductions. Surprising finding was achieved by applying the voluntary activities that are preferably the best (we can involve ISO 14001, EMAS, etc.)

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Points (Interval 0-10)</th>
</tr>
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<tbody>
<tr>
<td>Micro</td>
<td>7.13</td>
</tr>
<tr>
<td>Small</td>
<td>6.99</td>
</tr>
<tr>
<td>Medium</td>
<td>7.85</td>
</tr>
<tr>
<td>Total SMEs</td>
<td>7.24</td>
</tr>
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</table>

For all investigated activities medium firms are always better, and therefore used the activity to a greater extent compared to the micro-activities that use the least. Medium companies use environmental activities in more than a micro-representation, but are dominated by medium-sized companies. An investigation into the application of the environmental approach in the Czech context suggests a number of interesting findings and insights. This section will dwell on the findings obtained in more detail in retaliation to the research question.

Answer to this question can be seen in the values observed in the environmental area that showed the evidence related to voluntary instruments for environmental protection and planning environmental impacts on the consumption of resources and materials including evaluation of waste. The final ranking is included in Table II.

Research findings also represent the answer for determination of the significance environmental issues in each category of SME. The results show that the medium-sized companies use the activity to a greater extent than small businesses and microenterprises. The results also showed association on issues of corporate social responsibility (CSR) and usage of voluntary instruments such as certification, the existence of a code of ethics, knowledge of the CSR, support activities from the perspective of management and usage of individual activities in the environmental area.
VII. DISCUSSION AND CONCLUSIONS

This paper provides a coherent framework for the evaluation of applications chosen activities from environmental are in selected Czech SMEs. It seems clear from contemporary writings on corporate environmentalism and from our examination in the environmental field that corporate stances toward the environment are varied. As several authors have noted, stances such as rejection and nonresponsiveness are prevalent among corporations and also evident in an absence of commentary on environmental matters. There appears to be a relationship between company size and whether and how company interest in the environment is expressed. One key future consideration is how a wider range of companies can be encouraged to enhance their environmental awareness and response. By attending to opportunities for integration or efficiency gains, smaller companies may be able to identify ways to adopt more environmentally friendly stances.

Finally, empirical evidence supports that environmental activities are more widely used in medium-sized companies, and then the last one is small and micro category. In the environmental area companies do the effects of consumption of resources and materials, water and energy, especially when companies take into account the increase in prices of inputs. The significance of environmentally responsible behaviour was expressed as the 7,24 points (from 10), suggesting a high awareness of SMEs, but the results of individual activities was expressed as the 7,24 points (from 10), suggesting a high awareness of SMEs, but the results of individual activities showed a degree of consideration of environmentally-minded activities.

Almost all investigated activities of environmental field fell more medium-sized enterprises, and therefore it can be said that the activities used to a greater extent compared to the small and micro-enterprises which use activities in minimal representation. This research is influential because in the Czech Republic has not yet been carried out such research and its findings led to the proposed action at the national level and to strengthen the implementation of environmental activities in the SME sector.

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