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BUILDING EMPLOYEE PERFORMANCE THROUGH EMPLOYEE ENGAGEMENT, WORK MOTIVATION, AND

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TRANSFORMATIONAL LEADERSHIP

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ABSTRACT

BPR Agung Sejahtera is a financial institution that currently always improves performance. With changes in globalization and there are a lot of millennial employees, it will changes the attitudes, ways of working and lifestyles that will have an impact on employee performance. The purpose of this study was to determine the effect of transformational leadership and work engagement, whether it can be a motivation for work so it will improve the performance of millennial employees. This study was conducted at BPR Agung Sejahtara with 33 people as samples. Data collections were done by using questionnaire then analyze SPSS to test the validity and reliability and multiple regression analysis. The results of this study indicate that partially it can be concluded that Employee Engagement has a positive and significant effect on Work Motivation and Employee Performance. Transformational Leadership has a positive and significant effect on employee performance. Work motivation also does not have a positive and significant impact on employee performance.

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1. INTRODUCTION

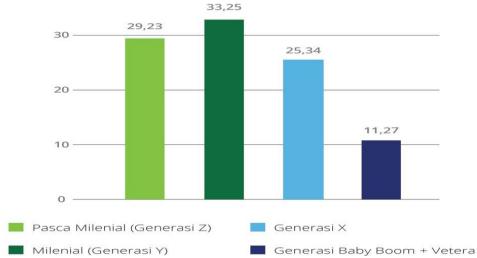
The development of industrial globalization 4.0 and the progress of *society* 5.0 will have an impact on organizational productivity, it brings a challenge to existing organizational resources to make a change in both attitudes, ways of working and lifestyle so that they can compete with other organizations. In its establishment, the company will make efforts to achieve organizational goals by referring to the vision and mission of the company. To win the competition, the company must be able to become a market leader, provide satisfaction to organizationalstakeholders, and most importantly, generate maximum profit. In fact, the process of achieving a predetermined goal is not easy to implement and there are many obstacles in the process of achieving that goal.

Currently, millennial generation has dominated the world of work which has influenced the changes in ethics, work attitudes and work methods. Changes in technology, attitudes, nature and ways of working will have an impact on employee performance. In 2017, based on the results of the National Socio-Economic Survey, it was stated that the number of millennial workers born between 1981 and 2000 was 88 million people or 33.75 percent of population in Indonesia and seen from gender statistics, the number of *Millennials* will continue to increase. , this can be seen in Figure 1.1 as follows:

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Figure 1.1Popultion Proportion based on Generation (percentage), 2017

Based on the Graph above, millennial generation in Indonesia has occupied of work with a total of 33.75% compared to the number of other generations. The number of *millennial* who increasingly dominates this



demographic is a challenge as well as an opportunity for Indonesian both now and in the future, for that all parties; both government and business leaders must start preparing themselves to face millennials a workforce to increase productivity of the company. Managing *millennial* employees will be a challenge for leaders to improve company performance, especially in assessing employee performance as seen from the attitudes, achievements and work practices that have been studied by several researchers. It is different from *Mercer Indonesia's Career Business Leader* data that in 2019, the *millennial* workforce has reached 63 million (Rahma, 2019) and at the same time, the digital economy is growing rapidly in Southeast Asian countries, one of the leading countries is Indonesia.

The current organizational performance depends on millennial generation that were employed, there are many problems that organizations have to face related to motivation, leadership and employee engagement with work productivity, if the process of maintaining and directing *millennial* peoplewas ignored by the company which will result in lower work productivity.

BPR Agung Sejahtara is a banking financial institution, which always improves performance so that it can compete with other banking institutions. Changes in policies, government regulations, technology and generational differences will cause behavioral changes that have an impact on employee performance. Usually employees in *millennial generation* really like challenging jobs so a motivation from a leader is needed to do something best.

Many previous studies have provided different results, such as study conducted by (Christian et al, 2014), (Katiandagh&Mandey, 2014) and (Pebriyanto&Budiyanto, 2017) that leadership affects employee performance. The role of humans in leading will determine the success of an organization both in the private and government sectors but according to (Taruno, Thoyib, &Rahayu, 2012) it shows that the leadership style of leaders directly has not been able to improve performance so it can be concluded that leadership style has no positive effect and significant to employee performance. Likewise, study conducted by (Rianto, 2018) states that transformational leadership does not have a significant effect on performance.

Study by (Lewiuci&Mustamu, 2016) results in study that *employee engagement* partially or simultaneously has a positive and significant effect on employee performance, however *employee engagement* does not have a significant effect on employee performance (Joushan SA et al., 2015). The study conducted by (Jena, Pradhan, &Panigrah, 2018) states that there are still many studies that have not explained the relationship between employee involvement and organizational trust through the role of psychological well-being, therefore it is necessary to examine again how the role of employee involvement in improving employee performance. Other study results also found that motivation has no influence on employee performance (Jelita&Lengkong, 2016) because motivation is related to the attitudes and behavior of a person who will provide different stimuli related to values, emotions, social and environmental structural roles. Study conducted by (Winasis, 2018) also shows that intergenerational motivation does not show a significant difference in performance conditions because the generation gap is not a problem because it has been understood, monitored and handled with various policies implemented differently, from the study conducted by (Pebriyanto&Budiyanto, 2017) that work motivation has an effect on employee performance, if employees are always motivated by the company, it will provide increased performance as well.

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This study focuses on *millennial* performance, in order to find out what motivates *millennial* employees to work so it provides a study question whether Employee Engagement and Transformational Leadership have an influence on employee motivation and whether Employee Engagement, Transformational Leadership, Motivation has an effect on employee performance.

LITERATURE REVIEW

Employee Engagement

Employee Engagement is a positive energy owned by employees and there is an effective relationship from all work activities so that they are able to complete all demands from their job (Puspa DM, et al, 2018), employees will work extra to contribute to the company in order to achieve the company's vision and mission. The indicators of employee engagement are Vigor, Dedication and Absorption (Smith & Markwick, 2009)

Work Motivation

Work Motivation is a process of *energized* behavior, which is supported by process of direction, support and organizational arrangements (Leonard NH & Scholl, RW, 1999), so that it can encourage and influence employee productivity (Gibson & Donnelly, 2013). Work Motivation is a process which explains intensity, directions, and persistence of a individual to achieve its goals. The workplace organization, the environmental situation, the prevailing reward system are the drivers in motivating employees (Winasis, 2018), Nohria theory (Nohria N & Lee, 2008) is a combination of thoughts, feelings and behavior. The Nohria theory indicators are divided into 4 (four) drives;: Drive to Acquire, Drive to Bond, Drive to Comprehend and Drive to Defend.

Transformational Leadership

Transformational Leader is a leader who can give a boost to increase interest in and awareness of employees to achieve the goals that will be effective in maximizing profits (Brown & Dodd, 1999). Transformational Leadership in this context is articulated through the creation of a compelling vision for followers to realize employee needs and organizational goals. (Bass, 1997) provides Transformational Leadership into 4 (four) dimensions; ideal influence, inspirational motivation, intellectual stimulation and individual considerations that may lead to individual welfare and organizational growth where organizations have ideal influence in advocating leaders as role models to provide vision of interest to employees. From Bass's theory which has been adopted by (House, RJ, 1992) and Avolio, the indicators of Transformational Leadership in this theory are Charismatic, Visionary, Inspirational and Individual Consideration.

Employee Performance

Performance as a result of work achieved by an individual that is adjusted to the role or task of the individual in a company in a certain period of time, which is associated with a certain value measure or standard of the company where the individual works (Hakim, 2006: 165). There are 3 main factors that affect employee performance according to Putri A and Budiastuti (2011); Individual Ability, Individual Effort and Organizational Support. Individual employee abilities include talents, interests and personality factors where the skill levels possessed by employees in the form of knowledge, understanding, interpersonal and technical skills and abilities are assets owned by the company. How can employees provide their business for the organization using work ethics, work attendance and motivation, and finally organizational support that helps employees for development in the form of facilities and infrastructure and support in forming a skills inventory in the form of training and development.

There are 6 dimensions that affect employee performance in the organization; Effort, Job Knowledge, Quality, Quantity, Compliance with rules and Interpersonal Competence (Viswesvaran, Chockalingam& Ones, 2000) related to the job, skills and tasks to be performed. Employee quality is related to the quality of employees in completing work, Quantity is related to work results, while Compliance with rules related to employee compliance with the rules set by the company (Deniz S, 2000). Effort is tangible evidence shown by employees to complete their work, Job Knowledge is knowledge of employees then Interpersonal competence is the skills possessed by an employee in establishing good relationships personally and other work teams.

Study Model and Hypotheses

Departing from the relevant theories in this study, the study models and hypotheses in this study are as follows:

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Employee Engagement H₁ H2 H3 Work Performance Motivation Employee H4 Transformational H5

- H1: Employee Engagement has a positive effect on Employee Performance
- H2: Employee Engagement has a positive effect on Employee Work Motivation.
- H3: Work Motivation has a positive effect on Employee Performance
- H4: Transformational Leadership has a positive effect on Work Motivation
- H5: Transformational Leadership has an effect on Employee Performance

3. RESEARCH METHODS

Leadership

This study is a quantitative study with a population of 50 employees who work at BPR Agung Sejahtera. 33 millennial employees were sampled by using the formula from Taro Yamane and using purposive sampling. The sampling criteria are millennial employees who at least work for 1 year and had at least high school education or higher level.

This study was done by using a questionnaire and SPSS as analysis tools to test the validity, reliability and multiple regression analysis

RESULT AND DISCUSSION

Validity and Reliability Tests

The results of the validity test of all indicators in Employee Engagement, Transformational Leadership, Work Motivation and Employee Performance variables have calculated r-value which is greater than the r-table value, thus these results indicate that all items to measure the variables above are valid. Likewise for testing the reliability of the measurement model, it is assessed by looking at cronbach alpha, where the Employee Engangement variable has a cronbrach's alpha value of 0.749, the Transformational Leadership variable has a cronbrach's alpha value of 0.934, the Work Motivation variable has a cronbrach's alpha value of 0.826 and the Employee Performance variable has a value cronbrach's alpha is 0.863. These results indicate that the cronbrach's alpha value in Employee Engangement, Transformational Leadership, Work Motivation and Employee Performance variables is greater than 0.7. Thus, the results of measurements using a questionnaire in this study are reliable.

Classical Assumption Test

A good model is a model that meets the assumptions of normality and classical assumptions with qualifications for accuracy in estimation and which is unbiased and consistent. In the classical assumption test, it can be done by normality test, multicollinearity test and heteroscedasticity test.

Normality Test

The results of model normality test show that the Kolmogorof - Smirnov Z value is 0.483 above than 0.05, so the data distribution meets the normality assumption.

Multicollinearity Test

Multicollinearity test results can occur if the tolerance value is less than 0.100 and VIF value is greater than 10.00. Based on the output of the multicollinearity test results in model 1, it is known that the tolerance value for Employee Engagement, Transformational Leadership and Work Motivation (0.465; 0.543, and 0.369) are greater than 0.100. Meanwhile, the VIF value for Employee Engagement, Transformational Leadership and Work Motivation (2,151; 1,842 and 2,707) were smaller than 10, so it could be concluded that there was no multicollinearity. Likewise in model 2, there is also multicollinearity because the tolerance value is greater than 0.100 and the VIF value is smaller than 0.10.

Heteroscedasticity Test

The results of the Heteroscedasticity test can be seen by Glejser test, which known that the significance value between Employee Engagement and Transformational Leadership variables at the absolute value of residual 1

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(Abs_Rest 1) is greater than 0.05. Thus it can be concluded that there is no heteroscedasticity problem so it become good and ideal regression model. Likewise with the Model 2 Heteroscedasticity Test Results, there is also no heteroscedasticity problem because the significance value between the Employee Engagement, Transformational Leadership and Work Motivation variables at the residual absolute value 1 (Abs_Rest 2) is greater than 0.05.

Multiple Linear Regression Test Result

The results of multiple linear regression testing can be seen from table 5.11 below. Table 5.11 Regression Test Results

Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model	В	Std. Error	Beta	•	•
1 (Constant)	2.164	4.457		.486	.631
Employee Engagement	.560	.145	.513	3.853	.001
Transformational Leadership	.236	.082	.386	2.899	.007

Coefficientsa

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		В	Std. Error	Beta	•	· ·
1	(Constant)	3.298	4.914	•	.671	.507
	Employee Engagement	.736	.195	.668	3.768	.001
	Transformational Leadership	049	.101	079	481	.634
	Work Motivation	.177	.201	.175	.882	.385

Based on the output of the regression test results in table 5.11, it is known that the multiple linear regression equation is as follows: Y1 = 2.164 + 0.513 X1 + 0.386 X2

The regression test results show that:

- 1. If Employee Engagement and Transformational Leadership are zero, then Work Motivation will be constant at 2.164. If there is an increase in Employee Engagement by 1, there will be an increase in Work Motivation by 0.513 plus constant and vice versa. If there is an increase in Transformational Leadership by 1, there will be an increase in Work Motivation by 0.386 and vice versa
- 2. The coefficient value of Employee Engagement variable is 0.513, it shows the direction of positive influence, which means higher employee engagement leads to higherwork motivation.
- 3. The coefficient value transformational leadership variable is 0.386 indicates the direction of positive influence. This means that the higher transformational leadership, the higher work motivation will be.

Based on the output of the regression test results in model 2, it is known that the multiple linear regression equation is as follows: $Y_2 = 3.298 + 0.668 X_1 - 0.079 X_2 + 0.175 Y_1$

The regression results show that:

- 1. If Employee Engagement, Transformational Leadership and Work Motivation are zero, then Employee Performance will be constant at 3.298. If there is an increase in Employee Engagement by 1, there will be an increase in Employee Performance by 0.668 plus constant and vice versa. If there is an increase in Transformational Leadership by 1, there will be an increase in
- 2. The coefficient value of employee engagement is 0.668 which indicates the direction of positive influence. It means that higher the employee engagement will lead toemployee performance.
- 3. The coefficient value of transformational leadership variable is -0.079 indicates the direction of the negative influence. It means higher transformational leadership, will decrease employee performance.
- 4. The coefficient value of the work motivation variable is 0.177 indicates the direction of positive influence. It means higher work motivation will increase employee performance.

Hypothesis Test

Partial Test (t test)

Based on the results of the partial test output (t test), it is known that the t value of the variable is as follows:

- 1. The results of the test on the effect of employee engagement on employee performance obtained the t-count value of 3.768 with a significance value of 0.001. The significance value is less than 0.05 (<0.05) and the t value is greater than the t table, which is 3.768> 1.698, then Ho is rejected and Ha is accepted. Thus, it can be concluded that employee engagement has a positive and significant effect on employee performance, it means that the hypothesis of the effect of employee engagement is proven and accepted significantly on employee performance.
- 2. The test of the effect of transformational leadership on employee performance obtained a t-value of -0.481 with a significance value of 0.634, with significance level greater than 0.05 (> 0.05), and the t value is smaller than the t table, namely -0.481 <1.698, then Ho is accepted and Ha is rejected. Thus it can be concluded that transformational leadership has no and insignificant effect on employee performance, it means that the hypothesis is not proven because there is no significant effect between transformational leadership and employee performance.
- 3. The test of the Influence of work motivation on employee performance, the t-value is 0.882 with a significance value of 0.385. By a significance greater than 0.05 (> 0.05) and the t value is greater than the t table, which is 0.882 <1.698, then Ho is accepted and Ha is rejected. Thus it can be concluded that work motivation has no and insignificant effect on employee performancewhich means that the hypothesis is not proven because there is no significant effect between Work Motivation and employee performance.
- 4. The test of the Influence of employee engagement on work motivation obtained a t-value of 3.853 with a significance value of 0.001. By the significance is less than 0.05 (<0.05), and the t value is greater than the t table, which is 3.853> 1.698, then Ho is rejected and Ha is accepted. Thus it can be concluded that employee engagement has a significant positive effect on work motivation, it means that the hypothesis is proven because there is a significant influence between employee engagement and employee performance.
- 5. The test of the Influence of transformational leadership on work motivation obtained a t-value of 2.899 with a significance value of 0.007. By the significance is less than 0.05 (<0.05) and the t value is greater than the t table, which is 2.899> 1.698, then Ho is rejected and Ha is accepted. Thus it can be concluded that transformational leadership has a significant positive effect on work motivation, which means that the hypothesis is not proven because there is no significant effect between transformational leadership and employee performance.

Determination Test (R2)

Based on the results of the test output of R2,note that R2 (R Square) of 0.577 or (33%). It shows that the percentage contribution of the influence of the independent variables (Employee Engagement, Transformational Leadership and Work Motivation) to the dependent variable (Employee Performance) is 67%. Or the variation of the independent variables used in the model (Employee Engagement, Transformational Leadership and Work Motivation) wihch is able to explain 67% of the variation in the dependent variable (Employee Performance), while the remaining 33% is influenced or explained by other variables not included in this study model.

Discussion

The Influence of Employee Engagement on Employee Performance

Employee Engagement is a form of employee involvement in the organization. The analysis found that employee engagement has an influence on employee performance. This can be seen in the t value which is greater than the t table value of 3.768. The influence of Employee Engagement can be seen from the seriousness in doing work, willingness to do work overtime, providing optimal abilities, working with clear goals, pride and interest in work., work with concentration, and enjoy their work so that they forget about the time. An employee who has strong engagement will improve the performance quality, which will support the company's success. From Employee Engagement variable it stated that all indicators; vigor, dedication and absorption have shown a positive and significant effect on employee performance and the dedication indicator has a strong and dominant influence on Employee Performance, which means that millennial employees at BPR Agung Sejahtera have shown high dedication towards their work and have provided their optimal abilities in this work because the working environment is always supportive and their expectations of BPR Agung Sejahtera are very positive so that they show high passion and dedication to their work.

This study is in line with study conducted by Debby, Siswaono and Sim (2014), Muhammad AgusHalih (2019), and Grace Lewiuci and Ronny H. Mustamu in 2016 which stated that *Employee Engagement* has positive and significant effect on *Employee Performance*.

Influence of Employee Engagement on Work Motivation

Commitment and employee values at work are a form of an *engaged* that the employee has at work. With the pride that employees have, they will mobilize all their potential for their work and will carry out orders from their bos and cooperate with colleagues optimally. The results of the analysis found that *employee engagement* had a positive and significant effect on *work motivation*. This can be seen in the t value is greater than the t table value of 3.852 with a significance value of 0.001 which has a significance value less than 0.05 (<0.05). Employees who have

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engaged highly will be motivated to always work optimally. BPR Agung Sejahtera Millennial employees have high morale because the individual's fundamental needs have been met so that psychologically they will drive attitudes and behaviors to be productive which become driving force to be creative and innovative

The results of this study have also been tested by previous studies, which are conducted by Ali, et al, 2016; Pratama, Hidayat, &Zainurossalamia, 2018; Siswono and Sim, 2014; Hali, 2014; Victoria and Rahardja, 2018; and Lewiuci and Mustamu, 2016 that Employee Engagement has a positive and significant impact on achievement motivation.

Influence of Work Motivation on Employee Performance

Work Motivation plays an important role in improving employee performance so that it has a strong influence on Employee Performance. However, this study shows that Work Motivation does not have a positive and significant effect on Employee Performance, because the t-count is 0.882 with a significance value of 0.385. By a significance greater than 0.05 > 0.05 and the t value is greater than the t table, which is 0.882 < 1.698, it means that even though BPR Agung Sejahtera employees already have Work Motivation, it will not affect the improvement in performance, and four Motivations drivers which are related to acquire, bond, comprehend and defend and drive have no effect related to Employee Performance. Although BPR Agung has provided welfare in the form of better compensation, if BPR Agung Sejahtera does not provide organizational commitment, welfare and motivation as well as transparency of justice, it will reduce Employee Performance. It is recommended that BPR Agung Sejahtera needs to implement a new strategy to be able to produce human resources. Creative process starting from the recruitment and selection process. Then BPR Agung Sejahtera needs to increase employee awareness to be able to have high work performance, through increasing employee personal development related to employee skills (skills and creativity) and knowledge which will have a positive impact on work processes and employee personal development.

The results of this study also provide different results such from studies which are conducted by Ali, et al, 2016; Yulius, 2018; Pratama, Hidayat, &Zainurossalamia, 2018; Siswono and Sim, 2014; Hali, 2014; and Lewiuci and Mustamu, 2016 Ali, et al, 2016; Tucunan, Suparta, Riana, 2014; Riyanto, 2016 that stated motivation affects employee performance, while study conducted by (Jelita&Lengkong, 2016) shows that motivation has no effect on employee performance, It is because to stimulate a motivation for a person is closely related to values, emotions, behavior, attitudes. and the existing of social and environmental structural roles.

The Influence of Transformational Leadership on Employee Performance

The results of this study prove that Transformational Leadership does not have a significant effect on Employee Performance, It is obtained from the t-count value of -0.481 which is smaller than the t-table value, which is -0.481 < 1.698, with a significance value of 0.634. where the significance value is greater than 0.05 (> 0.05). Thus it can be interpreted that the results of the implementation of leadership managerial activities that are carried out do not necessarily have a positive or good impact on the organization, because higher the implementation of leadership managerial activities is carried out, will lead to the decline in company performance from time to time. The implementation of more leadership activities towards suppressing employees may cause an employee to achieve satisfaction at work, but not necessarily be able to have a positive influence in shaping the personality to work and achieve organizational goals. Transformational leadership styles are not sufficient to be applied in the leadership at BPR Agung Sejahtera, therefore it is possible to also apply other leadership styles to improve employee performance by understanding and using millennial generation patterns as to encourage innovation, creativity and an entrepreneurial spirit.

The results of this study provide different study results from the previous studies by byTucunan, Suparta, Riana, 2014 and Riyanto, 2016 that leadership style has a positive and significant influence on employee performance. It is different with a study conducted by Rianto, 2018 produces different data that Transformational leadership has no effect on employee performance.

The Influence of Transformational Leadership on Work Motivation.

Leadership style affects employee motivation at work. The leadership style of a leader will determine and provide psychological involvement of employees in inspiring and providing encouragement to achieve the desired results regardless of the various difficulties experienced. Likewise in transformational leadership on employee work motivation, the results of the analysis found that Transformational Leadership has a positive and significant effect on work motivation. This can be seen in the t value is greater than t table value of 2.899 with a significance value of 0.007 which has a significance value less than 0.05 (<0.05) and the t value is greater than the t table, which is 2.899> 1.698. Transformational Leadership will inspire employees because they are not only visionary leaders but also have fun, trustworthy personalities and treat employees fairly so that it will increase employeesmotivation at work.

This is supported by research conducted by (Tucunan, Supartha, & Riana, 2014) and (Victoria &Rahardja, 2018) that there is a positive and significant influence between *Transformational Leadership* and *Work Motivation of* employees. From these statements, it can be seen that leadership that has power and gives employees psychological strength will intrinsically affect *work motivation*; therefore leadership plays an important role in encouraging and increasing employee motivation to excel.

CONCLUSION

Based on the partial test, it is concluded that Employee Engagement and Transformational Leadership have a positive and significant effect on Work Motivation. The existence of BPR Agung Sejahtera employees who have highly engaged will increase productivity at work and leaders with a Transformational spirit will inspire BPR Agung Sejahtera employees, because they are not only visionary leaders but also have pleasant, trustworthy personalities and treat employees fairly so that it will have an impact on increasing the Work Motivation of employees at work.

Based on the partial test, it is concluded that Employee Engagement has a positive and significant effect on Employee Performance. Millennial employees at BPR Agung Sejahtera have shown high dedication to their work and have provided their optimal abilities in this work because of the work environment that provides support and employee expectations for BPR Agung Sejahtera which are very positive so they will show high passion and dedication on his job.

Based on the partial test, it is concluded that Transformational Leadership and Work Motivation have no and insignificant effect on Employee Performance. Leadership style and Work Motivation play an important role in enhancing employee performance. It is possible for BPR Agung Sejahtera to apply other leadership styles in order to understand and use the patterns of millennial generation that can encourage innovation, creativity and an entrepreneurial spirit and new strategies to be able to produce creative human resources starting from the recruitment and selection process and increasing employee awareness through enhancing employee personal development related to employee skills (skills and creativity) and knowledge which will have a positive impact on work processes and employee personal development.

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