

EMPLOYEE SATISFACTION MODERATES THE EFFECTS OF GREEN SUPPLY CHAIN MANAGEMENT, LEADERSHIP AND ORGANIZATIONAL CULTURE ON CORPORATE PERFORMANCE

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Abstract

This research aims to determine if employee satisfaction mitigates the detrimental effects that organizational culture, leadership, and GSCM have on corporate performance. For this purposeful convenience sampling, the research population is an industrial and commercial firm in Indonesia. The primary source of the data used is from surveys that were gathered using Google Forms. The sample for the study consisted of 102 people. The statistical analysis in this study used structural equation modeling using partial least squares. This study expands the GSCM's set of indicators. The study's findings demonstrate that GSCM, leadership, and organizational culture all have an impact on business performance. But only the impact of organizational culture—not the impact of GSCM or leadership—on performance is tempered by employee satisfaction. The study includes ramifications for manufacturing and trading companies, such as the requirement for a strong organizational culture, strong leadership, and the application of a GSCM strategy. The research tools or GSCM indicators are what set this study apart from others. The amount of respondents to the survey is one of this study's shortcomings, hence it is recommended that future research use more samples.

Keywords: *Organizational culture, leadership, green supply chain management, and employee satisfaction*

1. INTRODUCTION

Most companies have the main goal of maximizing profits which is reflected through corporate performance. Corporate performance itself must be able to be measured by identifying influential factors for decision making (Delen et al., 2013). A firm must prioritize profits while also minimizing its negative effects on the environment. As a result, corporate performance is established that can result in supply chain productivity, quality enhancement, and cost savings (input-process-output). The challenge is to manage the interaction between business initiatives that aim to cut costs without affecting the firm's quality or productivity. Green supply chain management is one of the company's initiatives to deliver sustainable business performance and improve the environment (GSCM). The business is supported by all internal and external corporate components using the GSCM technique. GSCM highlights the connection between supply chain management's effects on the environment and that relationship by incorporating an environmentally friendly component. Companies can increase business performance by applying the GSCM system and saving money while making an effort to protect the environment. GSCM is a method for improving environmental performance that starts with processes and manufacturing that adhere to environmental rules, per its definition (Hsu & Hu, 2008). Additionally, organizations who apply GSCM are thought to experience numerous advantages, such as growing employee satisfaction and opening up new market opportunities (Jun et al., 2006). (Diabat et al., 2013).

ElTayeb et al investigation's on the connection between GSCM and company performance produced inconsistent findings (2010). Some academicians claim that GSCM can improve business performance (Younis & Sundarakani, 2019; Dubey, et al., 2017; and Mirhedayatian et al, 2014).

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Some claim that GSCM has a negative impact on company performance (Rao & Holt, 2005; 2010). Additionally, there aren't many studies on GSCM and performance with an emphasis on developing nations (Jabbour et al., 2015), and GSCM is still a relatively new concept in underdeveloped nations (Diabat et al., 2013). The company's leader significantly affects the company's status in addition to having a GSCM strategy (Nasomboon, 2014). Nasomboon (2014) argues that good leaders are crucial to the success of any business because they may affect their followers favorably by raising employee motivation to support organizational performance. Task, Responsibilities, and Practices by Peter F. Drucker (1986) places emphasis on a leader's perspective on the future of the world. Drucker (1986) asserted that a successful leader not only assigned duties to his team members but also made sure they were completed (Drucker, 1986). To a company's total success, every component of the firm, both internal and external, must contribute. Employees who are in favor of the company's objectives are just one example of elements from the organization's culture and leadership.

Social norms and values, as well as the type of relationship between organizations and people, are always a concern of organizational culture. The presence of a culture within an organization serves as a glue for the business' growth (Yildiz, 2014). Without an organizational culture that encourages mutual trust between colleagues and a willingness to share knowledge, corporate performance will not develop and cannot even survive in various conditions (Davenport & Schein, 2015). According to Heryanto & Sudibyo, 2017, there is no influence of organizational culture on corporate performance. From the employee side, this study took employee satisfaction as a moderation variable. With initial allegations that employee satisfaction moderates GSCM, leadership and organizational culture towards corporate performance. The level of motivation of an individual or team is given in their tasks or work that can affect all aspects of corporate performance (Yusoff & Kian, 2013).

The success of the company is judged by corporate performance. Not just green supply chain management, but leadership, organizational culture and employee satisfaction. It is intended that this research would assist manufacturing and trading companies in implementing GSCM supported by leadership, organizational culture and employee satisfaction. As well as for regulators, they can make measurements of the success of company performance which is not only seen from the company's financial statements but non-financial as well. So that research related to the influence of GSCM, leadership, and organizational culture on corporate performance with employee satisfaction as a moderation variable.

The majority of manufacturing companies that use GSCM. The primary activity of the business is the transformation of raw materials into finished goods with a selling value or added value. Chemical and physical processes alter a product's shape, properties, and form during raw material processing. This study wants to look at trading companies as well as manufacturing companies. Where exchanging organizations for the most part have executed Enterprise resource planning (ERP). Commercial software known as ERP gathers all of a company's integrated data, including its financial, accounting, human resources, supply chain, and customer information. (Davenport, 1998). A trading firm is a business that engages in the exchange of goods or services with third parties. From the bartering era to the present, there has also been a periodic increase in the development of trading activity. The market offers opportunities for buying and selling financial assets such as the stock and futures markets (including forex) (<https://tradingindo.com>), in addition to bartering conventional goods or services.

The research instruments or indicators in green supply chain management are what set this study apart from others. The study's limitations stem from the limited number of respondents; therefore, suggestions for future research may include increasing the study population to increase the number of samples.

2. LITERATURE REVIEW

2.1 Institutional theory

Institutional theory asserts that firms, on the other hand, make an effort to adapt to their surroundings by abiding by laws and having a conscience. According to Zucker (1987), corporations may be impacted by normative pressures coming from outside institutions like the government. Government regulation is one of the most significant institutional elements that motivates companies to adopt green supply chain strategies. Since environmental regulations are fairly rigorous and there are currently no environmental laws that are legally binding, businesses are more likely to embrace GSCM in Europe and the US (Younis & Sundarakani, 2019). Additionally, institutional internal drivers like ISO 9000 support improving operational performance. Institutional theory, according to Lin & Sheu (2012), can help determine whether these initiatives to enhance corporate performance are motivated internally or outside, as well as whether they have an impact on performance improvement.

2.2 Resource-based theory

Resource-based theory is a theory that connects a company's performance to making better use of its own resources. There are both tangible assets (such as reputation) and intangible assets in this situation (financial reserves and physical assets). talents, staff knowledge, and awareness of the company's culture Wernerfelt (1984) challenges the notion that an organization's success is only based on its surroundings by arguing that a company's competitive edge is embedded in a unique asset. The company must effectively and efficiently manage its capabilities if it wants to perform better and exceed its competitors. According to Hunt and Davis (2012), resources can add value to a company in the form of material, judicial, human, financial, relational, informational, and organizational resources.

2.3 Leadership Theory

A leader is someone who has a following (Drucker, 1986). An effective leader does not take many decisions. Instead, leaders concentrate on some important decisions at the highest level of conceptual understanding. One's performance is elevated to a higher standard, one's personality is developed beyond its usual bounds, and one's employee ideals are elevated in a higher direction. Because an employee does not need others to lower or make his ideals at the same level as he has. That is when the leader is needed, that is, the leader is able to become a role model that others who follow him want to achieve (Drucker, 1986).

2.4 Conceptual Framework

The conceptual framework of this study is represented in Figure 1 as follows:

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Variabel Independen

Variabel Dependen

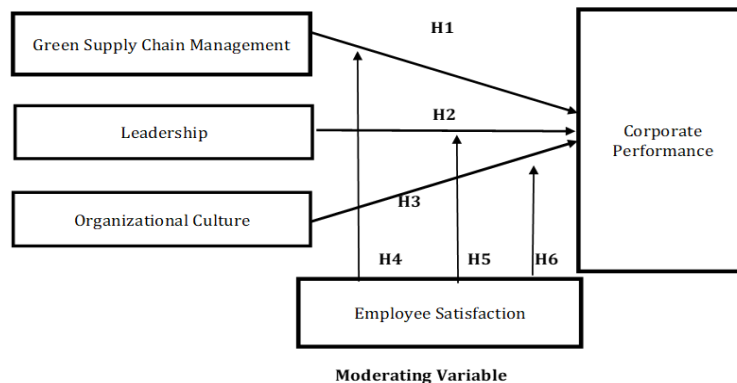


Figure 1 conceptual framework

2.5 Hypothesis Development

1. GSCM toward Corporate Performance

Businesses are encouraged by GSCM to use resources more efficiently and create less waste. Institutional theory asserts that firms, on the other hand, make an effort to adapt to their surroundings by abiding by laws and having a conscience. Costs can be reduced and profitability raised when resources are utilized effectively (Green et al., 2019). Green et al.'s (2012) research focuses on, it was discovered that GSCM and corporate performance have a positive and significant relationship. Additionally, a number of earlier research (Younis & Sundarakani, 2019) demonstrated that improving business performance through the application of GSCM (Dubey et al., 2017 and Mirhedayatian et al., 2014).

H1: GSCM has a positive effect on corporate performance.

2. Leadership towards Corporate Performance

Leadership is one of the most crucial factors in company performance. The leader has a crucial role to play in establishing corporate culture and evaluating the efficiency and effectiveness of policy implementation using a range of tools. A number of studies, like those by Rahman and Al-Suwaiddi in 2019 and Nasomboon in 2014, show the value of leadership connections in increasing performance, according to Kieu (2010). As a result, the Leader may be essential in fostering an environment that promotes organizational effectiveness (Cascio et al., 2010). The study by Kieu (2010) found a significant correlation between business performance and leadership.

H2: Leadership has a positive effect on corporate performance.

3. Organizational culture towards corporate performance

A theory of an organization's resources called resource-based theory connects better internal asset use to business performance. Assets of a firm can be both tangible (such cash on hand and real estate) and intangible (like its reputation, the skills and knowledge of its staff, and its corporate culture). Numerous empirical research, including those by Denison (1984), Kotter and Heskett (1992), Carmeli and Tishler (2004), Kaseem (2016), and Al-Suwaiddi and Rahman (2017), have demonstrated a link between organizational culture and commercial performance (2017). Through a number of tools, leadership is essential in developing corporate culture and assessing the efficacy and efficiency of policy implementation. Enhancing corporate culture has a beneficial effect on how well businesses operate (Rahman, 2015).

H3: Organizational culture positively affects corporate performance.

4. Employee Satisfaction Moderates the effect of GSCM on Corporate performance

Employee Satisfaction is important in achieving optimal corporate performance. The results of research conducted by Duserick (2007), Bartram and Gian (2007), Stephen, et.al (2007), Zeffane, et.al (2008), Nancy and Eleana (2009), Lolita, et.all (2009), Yang, et.all (2010), Singh (2013), Yang, et.all (2014), obtained results on the importance of employee satisfaction and have proven that employee satisfaction affects corporate performance.

H4: The impact of GSCM on corporate performance is strengthened by employee satisfaction.

5. Employee Satisfaction Moderates the influence of leadership on Corporate performance

Leaders are crucial in establishing whether the workplace culture that employees encounter enhances or detracts employee satisfaction (Davenport, 2015). Employee satisfaction is significantly and favorably impacted by leadership (Suryana et al., 2009; Omar, 2013; Belias & Koustelios, 2014).

H5: Employee satisfaction strengthens the influence of leadership on Corporate performance.

6. Employee Satisfaction Moderates Organizational Culture's Impact on Corporate Performance

Bellou (2010) looks at how organizational culture and work satisfaction are related. The findings demonstrated how various cultural types impact employee satisfaction, prospects for personal growth, and reputation. Bellou (2010) asserts that organizational culture can raise employee satisfaction because it makes workers feel like they are a part of the business and motivates them to advance their careers both inside and outside the company. Therefore, the impact of organizational culture on business performance is strengthened by employee satisfaction.

H6: Employee satisfaction strengthens the influence of Organizational culture on Corporate performance

3. IMPLEMENTATION METHOD

3.1 Research Design

The sample selection in the study population was manufacturing companies and trading companies operating in Indonesia. The sample was chosen since both trade and manufacturing organizations frequently comprehend GSCM. The transformation of raw resources into finished goods with added value is the company's primary business activity. The characteristics of manufacturing companies include: (1) Product Processing Process where raw materials become a finished item. (2) Large-Scale Machinery, which aims to produce a product in a certain quantity and quality. (3) Production Costs, for the procurement of raw materials, labor costs, machine maintenance, and others. (4) The production process, production activities in manufacturing companies are generally very complex so that they require good division of tasks and coordination between divisions. (5) Marketing and Sales (International Conference on Production Engineering/CIRP, 1983). Besides manufacturing companies, the research sample is trading companies. Typically, trade companies have embraced enterprise resource planning (ERP). ERP is a piece of commercial software that integrates all of the company's data, including financial, accounting, human resources, supply chain, and customer data (Davenport, 1998). A trading company is a company that carries out activities of exchanging goods or services from one party to another.

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The respondents to this study were employees of both staff and management of manufacturing or trading companies who met the following criteria: (1) Work in a company of at least 5 years with an age starting from 25 years. (2) Minimum level of education Diploma.

3.2 Data Collection

This research is a qualitative research, with data collection techniques using questionnaires that have been modified with primary research data sources or taken directly from respondents. Questionnaires are sent via email or googleform which is distributed to employees, managers or directors of companies operating in Indonesia. The proposed method for data processing is structural equation modeling with partial least squares.

3.3 Measurements and Variables

With a likert scale of 1-6, each variable's indicator measurement is as follows: Corporate performance is measured by 14 indicators, while employee satisfaction is measured by 4, green supply chain management by 30, leadership is measured by 22 indicators, and organizational culture by 5 indicators.

3.4 Measurement Model

According to Abdillah and Jogiyanto (2015), a model called structural equation modeling (SEM) describes the testing of relationship models between latent variables and their manifestations in a structural relationship. SEM has a number of advantages over other statistical methods, including: 1) treating both endogenous and exogenous variables as random, error-prone variables; 2) the existence of latent variables with the capacity to contain numerous indicators; (3) the distinction between model specification errors and measurement errors; 4) a model tester as a whole as opposed to a coefficient per coefficient; 5) enables the use of mediator variables in modeling; (6) Make it possible to create models with relationships between errors with flexibility; 7) Provide opportunities for coefficient testing on multiple sample groups; 8) Provide modeling that is dynamic; 9) Capable of recovering lost data and 10) Capable of effectively managing abnormal data. The inner model and the outer model are both evaluated using a prediction model called partial least squares (PLS). The outer model evaluates validity and reliability using algorithmic processes, convergent validity, discriminant validity, composite reliability, cronbach's alpha, and R2 values. The T-statistics test parameters are viewed as the inner model using the bootstrapping method.

3.5 Validity Test

The construct validity test is often measured by the loading score parameter in the study model (Rule of Thumbs >0.7), as well as the AVE, Communality, R2, and Redundancy factors. The AVE score should be larger than 0.5, the communality should be near to 1, and the redundancy should be close to 1. If the loading score is less than 0.5, this indicator can be eliminated from the construct that represents it because it is not loaded into the construct. The indicator is not deleted along with the AVE and Community indicators larger than 0.5 if the loading score is between 0.5 and 0.7.

- a. Test of convergence in validity The AVE and Communality scores, both of which must be valued above 0.5, are used to evaluate the convergent validity test parameters. Due to the decreased likelihood of the indicator entering another variable, this suggests that the probability of the indicator converging and entering the construct in question is more than 50%. (less than 0.5).

- b. Check the discriminators' precision. The cross loading score or a comparison of the construct's AVE roots to the correlation between its latent variables are used to measure the parameter. Each indication within a construct will be distinct from the indicator within the construction and collect on the pertinent construct, as can be seen in the loading score table.

3.6 Reliability Test

The reliability used to measure a concept or variable are shown by the measurement's reliability (Abdillah and Jogiyanto, 2015). The AVE score should be larger than 0.5, the communality should be near to 1, and the redundancy should be close to 1. If the loading score is less than 0.5, this indicator can be eliminated from the construct that represents it because it is not loaded into the construct (Abdillah and Jogiyanto, 2015).

3.7 Structural Model Test

To determine how several variables relate to one another or to test a hypothesis, a structural model is tested. PLS evaluates structural models using R2 for dependent constructs, the magnitude of the path coefficient, or the t-value of each path for interconstruct significance tests. The R2 value assesses the degree of variation in the change of the independent variable to the dependent. The research model's prediction model performs better as R2 increases.

3.8 Hypothesis Test

When testing a hypothesis or attempting to forecast causal links between variables, structural model testing is used. For interconstruct significance tests in structural models, PLS uses R2 for dependent constructs, the value of the path coefficient, or the t-value of each path. To determine how unpredictable a change in the independent variable is in respect to the dependent variable, the R2 statistic is used. The performance of the research model's prediction model improves with increasing R2.

4. RESULTS AND DISCUSSION

Data obtained by surveys through googleform which are distributed through the whatsapp application and e-mail, then the following details are obtained:

Table 1 Data Used

Information	Sum
Respondents who filled out the questionnaire	102
Data that doesn't meet the criteria	(67)
Data that can be used	35

Source: Processed Researcher, 2021.

4.1 Respondent Demographics

According to position/position, section/division in the company, work experience (years), number of company employees, age (year), and level of education, the demographics of respondents are displayed in table 3 with distinctions.

Table 2 Respondent Demographics

No.	Demographics Based on	Information	Sum	Percentage (%)
1.	Position/Position	1. Staff	15	43%
		2. Manager	17	49%
		3. Director	2	6%
		4. Owner	1	3%
2.	Parts/Divisions in the Company	1. Accounting	23	66%
		2. Purchasing	4	11%
		3. Production	8	23%

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3.	Work Experience (Year)	1. 5-10	20	57%
		2. 11-15	6	17%
		3. 16-20	1	3%
		4. >20	8	23%
4.	Number of Company Employees	1. 5-50	8	23%
		2. 51-100	4	11%
		3. 101-150	5	14%
		4. >150	18	51%
5.	Age (Years)	1. 31-35	12	34%
		2. 36-40	10	29%
		3. 41-45	3	9%
		4. >45	10	29%
6.	Education Level	1. Diploma	3	9%
		2. Undergraduate	13	37%
		3. Masters	13	37%
		4. Doctoral	6	17%

Source: Processed Researcher, 2021.

Respondents based on position/position as many as 17 people (49%) are managers; staff as many as 15 people (43%) and the rest Directors as many as 2 people (6%) and Owners 1 person (3%). Based on the share/division in the Company, the accounting share is 23 people (66%); Production 8 people (23%) and Purchasing 4 people (11%). In terms of respondents, there were 20 people (57%), 8 people (23%), 6 people (17%), and 1 person (3%), depending on the proportion of respondents with 5 to 10 years of work experience. In the company where respondents worked, there were 18 employees (51%) compared to 5–50 employees up to 8 employees (23%), 101–150 employees up to 5 employees (14%), and 51–100 employees up to 4 employees (11%). Three respondents (9%), between the ages of 41 and 45, and 12 respondents (34%) overall were between the ages of 31 and 35, 10 respondents (29%) between the ages of 36 and 40. According to educational attainment, 13 respondents (37%) to the undergraduate and master's research, 6 (17%) to the doctoral research, and 3 (9%), to the diploma research, made up the remaining respondents.

4.2 Measurement Model

An assessment of the measurement model is first carried out to confirm the indicators and latent variables that might be analyzed later in hypothesis testing to anticipate the relationship between latent variables in structural models.

4.3 Convergent Validity Test

Based on the loading factor of the indicators that measure the construct, the convergent validity of the measurement model using reflecting indicators is evaluated. Indicators for each of the five components in this study ranged from 4 to 30, on a scale of 1-6. The leadership, organizational culture, employee satisfaction, and corporate performance constructs for GSCM exhibit loading factors >0.7, AVE >0.5, and communality >0.5, according to Table 4's test results for the measurement model.

4.4 Discriminant Validity Test

Cross loading measurements with their constructs or comparing the AVE roots for each construct with the correlation between the construct and other constructs in the model are two methods for evaluating the discriminant validity of the measurement model. If the root AVE for each construct is greater than the correlation between that construct and the other constructs in the model, the model has enough discriminant validity. Table 4 reveals that the AVE and AVE roots are larger than the correlation coefficient between the variables and also shows the discriminant validity of the indicators employed in this investigation.

Table 3 Validity Test Result

No.	Variables	AVE	AVE Roots
1.	GSCM	0,760	0,872
2.	L	0,826	0,909
3.	OC	0,780	0,883
4.	ES	0,831	0,912
5.	CP	0,754	0,868

Source: Processed Researcher, 2021.

According to Table 5, Fornell-Larker Criterion, each construct's AVE value is higher than its connection with other constructs. to show that each construct has strong discriminant validity.

Table 4 Result of the Discriminant Validity Test for Latent Variables

	GSCM	L	OC	CP	ICE
GSCM	0,863				
L	0,785	1,000			
OC	0,909	0,847	0,946		
CP	0,777	0,553	0,736	0,942	
ICE	0,873	0,757	0,932	0,687	0,954

Source: Processed Researcher, 2021.

4.5 Reliability Test

Each construct's Cronbach's alpha and composite reliability values are displayed in Table 6 and are more than 0.6, indicating dependability for the indicators employed in the study.

Table 5 Cronbach's Alpha And Composite Reliability Value

No.	Variables	CA	CR
1	Corporate Performance	0,914	0,936
2	GSCM	1,000	1,000
3	Leadership	0,882	0,944
4	Organizational Culture	0,875	0,941
5	Employee Satisfaction	0,901	0,953

CA: Cronbach's alpha; CR: Composite reliability

Source: Processed Researcher, 2021.

4.6 Structural Model Test Results (Inner Model)

The goodness-of-fit of the model was assessed using the R² value. Table 7 below shows the findings of the R² values.

Table 6 R² Result

Variable	R ²	Adjusted R ²
Corporate Performance	0,876	0,864

Source: Processed Researcher, 2021

The table demonstrates that the variability of exogenous variables, which may help to explain the variability of endogenous variables (enterprise performance), is 87.60%. These variables include leadership, organizational culture, and GSCM 0.876 is the R-Square value. As a result, the success of cooperatives is significantly influenced by leadership, corporate culture, and external constructions of GSCM.

4.7 Hypothesis Testing

The goodness-of-fit of the model was assessed using the R² value. Table 7 below shows the findings of the R² values.

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Table 7 Results for Path Coefficient

Hypothesis	Path	Path Coefficient	T-Statistics	p-value
H1	GSCM → CP	0,681	2,636	0,004*
H2	L → CP	-0,304	1,397	0,054*
H3	OC → CP	0,553	1,352	0,039*
H4	GSCM → ES → CP	0,156	0,853	0,186
H5	L → ES → CP	-0,120	0,820	0,191
H6	OS → ES → CP	0,891	5,627	0,000*

Source: Processed Researcher, 2021

The hypothesis test's findings indicate that H1 is true because GSCM greatly impacts corporate performance. This is supported by the findings of other studies, including those by Younis and Sundarakani (2019), Dubey, et al. (2017), Mirhedayatian et al. (2014), and Green et al. (2017). Leadership has a tremendous impact on organizational success, which is why H2 is recognized. These results are in agreement with research from Kieu in 2010, Nasomboon in 2014, and Al-Suwaidi and Rahman in 2019. Furthermore, H3 is approved since Organizational Culture significantly affects Corporate Performance. These findings are consistent with research from Denison in 1984, Kotter and Heskett in 1992, Carmeli and Tishler in 2004 and Rahman, Kaseem, and Al-Suwaidi and Rahman in 2015. As for Green Supply Chain Management moderated by employee satisfaction, it does not affect corporate performance, meaning that H4 is rejected; likewise, leadership moderated with employee satisfaction with corporate performance, the result was that H5 was rejected. However, for organizational culture moderated by employee satisfaction, it affects corporate performance, meaning that H6 is rejected.

5. CONCLUSION

According to the findings and discussions, company performance is influenced by organizational culture, leadership, and green supply chain management. A corporation must consider ecologically friendly input-process-output while creating or improving corporate performance, especially for manufacturing and trade companies. With a company whose overall activities pay attention to the impact on the environment, it can add positive value from stakeholders. In addition, the company has leaders who become role models who encourage their followers (employees) to follow it to achieve company goals so that they can improve corporate performance. In addition, organizational culture contains social values and standards that are relationships between organizations and individuals. The existence of organizational culture provides a function as a binder for a company's success. When the company has an organizational culture in which employees have personal development opportunities and a good reputation, then employee satisfaction can be achieved. As a result, it was discovered in this study that employee happiness limits the impact of organizational culture on corporate performance. The relationship between leadership and corporate success or the management of a green supply chain is unaffected by employee satisfaction. The study has implications for manufacturing or trading companies in the following areas: (1) Putting into practice green supply chain management strategies or policies that emphasize environmentally friendly inputs, processes, and outputs; (2) picking or having a leader who can set an example for staff; and (3) creating an organizational culture that is supportive of the firm's growth. The study is limited by the small number of respondents who complete the questionnaire, but suggestions for future research can expand the number of subjects and dependent variables.



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