Cultural Looseness and Cultural Frictions
Impacting Offshore Work on Digital Platforms

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Abstract

Digital technologies tear down technological barriers to the global sourcing of work, leaving cultural ones intact. A growing body of research suggests cultural looseness and cultural frictions as a promising theoretical lens for studying cross-cultural work. However, we lack empirically sound insights on how national culture, modeled as cultural looseness and cultural frictions, affects the success of offshoring projects between a single client and a single freelancer. To this end, we propose a research model and test it against evidence from more than 30,000 offshoring projects. We present our findings, for instance, that *cultural looseness* in the client's country negatively impacts the success of offshoring projects, while *cultural looseness* in the freelancer's country positively impacts it. We offer a discussion and close with implications and suggestions for future research.

Keywords: Offshoring Projects, National Culture, Cultural Looseness, Cultural Frictions, Digital Platform

Introduction

Globally work occurs increasingly via digital platforms that bring together an individual client and freelancer for an offshoring project[1]. Client and freelancer often only meet for a single project and the contact is more request-response style, as opposed to in-depth collaboration and co-creation. Platforms leverage cost effective access to a large online workforce; however, commonly, client and freelancer have never worked together before. Hence, offshoring projects arranged via such platforms pose major challenges to clients and freelancers – requirements uncertainty, ambiguity, and complexity, meaning that it is difficult to tell whether a problem has been solved (Mathew &Chen, 2013; Rai et al., 2009; Xia & Lee, 2005). Furthermore, the freelancer is often not familiar with the context of the client's organization, its culture, structures, and products or services. Such setting typically magnifies the impact of clients' and freelancer's different national cultures.

Concerning prior works on the importance of different national cultures, one body of research investigates in a national-level context, *cultural looseness*, defined as the strength of social norms and the degree of sanctioning within societies (Gelfand et al., 2006). It suggests that cultural looseness may explain the impact of (national) culture on offshoring projects (Chua et al., 2015; Gelfand et al., 2011; Gelfand et al., 2017; Pelto, 1968; Triandis, 1989; Uz, 2015). The less constraining forces in loose cultures encourage more divergent, out-of-the-box thinking and searching for solutions in unrelated, less familiar areas (Chua et al., 2015).

Another research stream studies *cultural frictions* defined as "the extent to which two or more entities, such as organizations, units, teams, groups, and individuals, from different countries culturally resist […] with one another in real contact or interactions over the course of international business activities or transactions" (Luo &Shenkar, 2011, p. 2). It finds cultural frictions as significant predictor of cross-cultural collaboration performance and project success (Aron & Singh, 2005; Bunyaratavej et al., 2011; Joshi &Lahiri, 2015; Kedia&Lahiri, 2007; Singh et al., 2019). This stream argues that cultural frictions impede collaboration, when they cause disruption, dissipation, or delays (Joshi &Lahiri, 2015) or when instructions are misunderstood (Aron & Singh, 2005). It also finds that small cultural frictions may enable productive motion (Joshi &Lahiri, 2015) and foster creativity (Gomez-Mejia &Palich, 1997; Joshi &Lahiri, 2015; Stahl et al., 2010).

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[1] We understand 'offshoring projects' as 'cross-cultural projects' and use the terms interchangeably.

Past research has started to study the impact of cultural looseness and cultural frictions within organizational boundaries, i.e. under the umbrella of an overarching organization culture (Shin et al., 2017). However, it has barely investigated how *cultural looseness and cultural frictions together* may explain the success of offshoring projects, in which clients and freelancers assemble 'on the spot' via a digital platform, hence with only anonymous contact and without sharing any context from prior collaboration.Studied together, cultural looseness and cultural frictions provide a promising new avenue for understanding how codified and digitally transmitted requirements and deliverables in cross-cultural projects materialize, and what touchpoints the cross-cultural interaction around them offers for introducing ambiguity from cultural frictions.

Therefore, in this paper we investigate how cultural looseness and cultural frictions affect the success of offshoring projects between a single client and a single freelancer. We propose a research model and test it against evidence from more than 30,000 offshoring projects.

The remainder of the paper is structured as follows. In the next section, we develop our research hypotheses and our research model on the impact of cultural looseness and cultural frictions on the success of offshoring projects. We outline our research approach and state how we collect, prepare, and analyze our extensive dataset. We then present our empirical findings before we discuss our contribution to the literature and some practical implications. We conclude with a brief summary and some suggestions for future research.

Research Hypotheses and Research Model

The collaborative work in offshoring projects with one client and one freelancer typically follows four steps. It starts with the client's initial thinking about a problem. It continues with the freelancer understanding the problem and developing a solution. Finally, it ends with the client validating the proposed solution.

Cultural looseness on either side can affect the offshoring project along all four steps through its impact on the individual client or freelancer. Cultural frictions (between the two nations where client and freelancer come from) can affect the communication in offshoring projects. Along these lines, we develop our research hypotheses with cultural looseness and cultural frictions at the core of our research model.

Cultural Looseness

Cultural looseness shapes behavior on the individual, organizational, and national level (Gelfand et al., 2011; Smale, 2016) and thereby influences the power to innovate. More than 600 related Google-Scholar-indexed publications between 2014 and 2018 reflect the growing recognition of the construct *cultural looseness*.Because of its tight nomological linking to phenomena related to cross-cultural work, cultural looseness addresses some of the validity concerns attributedto research that exclusively relied on cultural values.

On the individual level, it drives psychological adaptations, attitudes and behavioral outcomes shaped through recurrent daily episodes (Gelfand et al., 2011). In loose cultures, people are more risk friendly and less focused on avoiding mistakes than people in tight cultures (Higgins, 1999; Uz, 2015). They exhibit lower self-monitoring, self-regulation, impulse control, and dutifulness (Uz, 2018) than in tight cultures. In addition, people in loose cultures show weaker conformity and less preference for structure and stability (Gelfand et al., 2017). Further, they experience more freedom of choice (Uz, 2015) and are more tolerant for moral deviations (Gelfand et al., 2006; Uz, 2018). Finally, they prefer team-oriented and charismatic over autonomous leadership (Aktas et al., 2015).

On the organizational level, loose cultures correspond with organizations enjoying more flexibility, experimentation, risk-taking, and openness for innovation (Carpenter, 2000; Crossland & Hambrick, 2011; Gelfand et al., 2006), heterogeneity of group members (Triandis, 1989), and lower levels of coercive isomorphism (Lee & Kramer, 2016).

With regard to offshoring projects, we can expect that clients from culturally loose countries put less effort in setting the project boundaries and explicitly coding what would constitute an appropriate solution as they are less eager to sanction deviant behavior (Aktas et al., 2015; Gelfand et al., 2006; Harrington & Gelfand, 2014). In contrast, cultural tightness delimits the solution space, provides more explicitly coded information leaving less room for interpretation, and sets criteria for project success and quality assessment. We hypothesize:

Hypothesis 1a. Cultural looseness in the client's country negatively impacts the success of offshoring projects. However, cultural looseness in a client's country may also exert a positive influence, particularly regarding the client's output validation. It may foster a wider range of solutions, which the client regards as acceptable. Hence, we hypothesize:

Hypothesis 1b. Cultural looseness in the client's country positively impacts the success of offshoring projects. Further, we expect freelancers in loose cultures to develop and encode more divergent solutions resulting from out-of-the-box thinking and searches in unrelated, less familiar areas (Chua et al., 2015) and to enjoy more flexibility, experimentation, risk-taking, and openness for innovation (Gelfand et al., 2006; Gelfand et al., 2017). Hence, we expect cultural looseness to foster the success of offshoring projects. We hypothesize:

Hypothesis 2. Cultural looseness in the freelancer's country positively impacts the success of offshoring projects.

Cultural Frictions

Cultural frictions emphasize that multi-level cultural differences occur. Two major manifestations of cultural frictions in offshoring projects are *linguistic distance* and *contextual distance*.

- *Linguistic distance* describes the extent to which two languages are dissimilar (Isphording&Otten, 2013); it captures the explicitly coded communication (Aron & Singh, 2005; Joshi &Lahiri, 2015; Triandis, 1989). Related to shared managerial values (West & Graham, 2004), equity taking in foreign acquisitions (Cuypers et al., 2015), foreign media market entry (Ghemawat, 2001), and cross-border knowledge transfer (Ambos & Ambos, 2009), linguistic distance increases transaction costs (Hutchinson, 2005; Isphording& Otten, 2013). Linguistic distance in offshoring projects may cause the freelancer to misunderstand instructions (Aron & Singh, 2005). However, as a marker of cognitive diversity, linguistic diversity may boost new solutions, especially in first-time collaborations (Joshi &Lahiri, 2015). Considering those divergent insights from the literature, we hypothesize:

Hypothesis 3. Linguistic distance between the client's country and the freelancer's country negatively impacts the success of offshoring projects.

- *Contextual distance* captures what is presumably obvious and self-evident due to a shared context and therefore not encoded in the communication (Hall, 1976; Warner-Soderholm, 2013). We distinguish high-context cultures and low-context cultures depending on their degree of reference to context in communication (Boyacigiller& Adler, 1991; Hall, 1976). In high-context cultures, communication relies on context that is presented through a large number of cultural artefacts stored in a society's collective mind. It requires less explicit coding and builds on the programming of the individual in the local culture. In low-context cultures, communication requires more explicit coding, which increases the length of the code, and decreases dependence on context and ambiguity (Hall, 1976). We differentiate three scenarios of contextual distance (Boyacigiller& Adler, 1991; Hall, 1976; Warner-Soderholm, 2013):
- Both persons are from low-context cultures (LC-LC). Both are used to extensive explicit coding and rely little on context – communication is least ambiguous.
- One person is from of a low-context culture and the other one from a high-context culture (LC-HC). One person uses explicit coding extensively and barely relies on context, while the other person heavily relies on cultural-context-mediated information for encoding or decoding information – communication is semi-ambiguous.
- Both persons are from high-context cultures (HC-HC). Both consider information stored in their respective cultural context as something that does not have to be explicitly encoded even if contexts differ between countries – communication is most ambiguous.

Along those three scenarios of *contextual distance*, modeled as being lowest in the LC-LC case and highest in the HC-HC case, we propose:

Hypothesis 4. Contextual distancebetween the client's country and the freelancer's country negatively impacts the success of offshoring projects.

Controls

We control for the client's *cultural experience* and the *supervision* intensity throughout the offshoring projectas well as for the freelancer's *power distance*.

- *Cultural experience* is correlated with cultural openness and interaction quality (Griffith & Harvey, 2001) and with an individual's acquisition and reflection of cultural knowledge. Hence, we assume that cultural

experience leads to increased awareness of a cultural context as a determinant for others' behavior (Ang et al., 2007).

- *Supervision intensity* measures how intensely the client monitors the freelancer's work beyond validating the output (Elam & Mead, 1990). Therefore, we assume that supervision intensity negatively influences a freelancer's intrinsic motivation and thus inhibits the success of the offshoring project (Cooper, 2000; Elam & Mead, 1990).
- *Power Distance,* "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 1991, p. 28), influences personal confidence. We assume that a high power distance reduces a freelancer's confidence when communicating with the client (Stringfellow et al., 2008), while a low power distance makes communication more egalitarian (Gudykunst, 1995).

Hence, we expect that power distance affects the success of the offshoring projects in two ways: High power distance may on the one hand cause less questions and clarifying communication and hence lower the freelancer's confidence (negative effect). On the other hand, high powerdistance may lead to the freelancer's stricter adherence to the problem presentations (positive effect).

Research Model and Research Approach

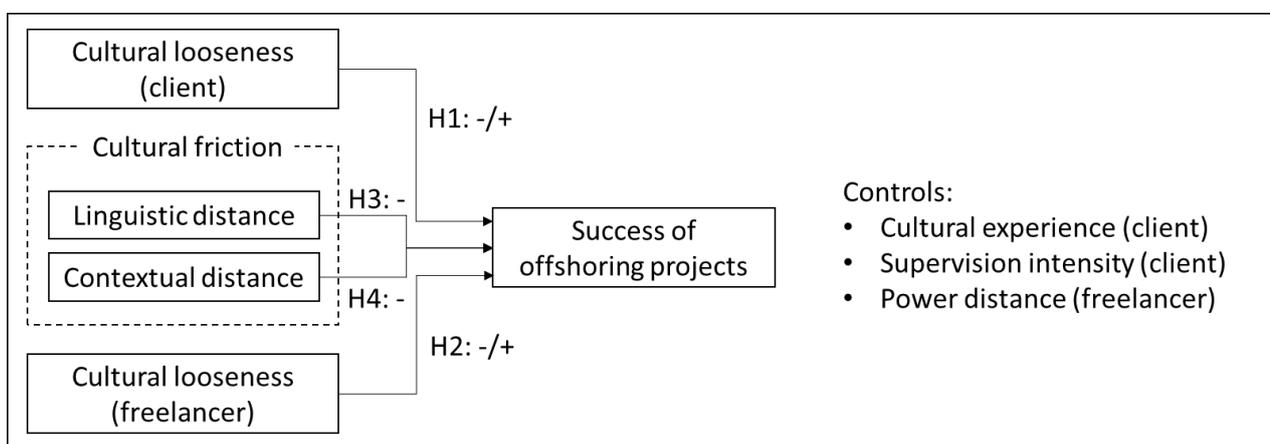Based on the above derived research hypotheses, we propose our research model depicted in Figure 1.

Figure 1. Research Model

Study Design and Operationalization of Variables

We employ an observational study design and analyze real-world data on offshoring projects from the global website of WeSource.com (a pseudonym). WeSource.com offers a platform for one client and one freelancer, both resident in different countries, remotely working on offshoring projects. It spans a total of 182 different countries, making it highly relevant for the study of cultural looseness and cultural frictions. Accounts are tied to individuals both on the side of the client and freelancer. We limit our study to projects with a firm start and end date where the output is digital.Examples for projects are website, presentation, product, logo, or advertisement design, writing, programming, and 3D modelling. The platform gives us the high numbers of cases required to detect the typically small effects in quantitative cultural research. We operationalize our variables and controls as follows:

Variable	Definition	Operationalization	Data Source
Success of offshoring project	Client's rating of the output deliverable	Number between 1 (worst) and 5 (best)	WeSource.com website
Cultural looseness	Strength of social norms and degree of sanctioning within societies (Gelfand et al., 2006)	Number between 0 (tightest country) and 120 (loosest country) – see Appendix A for the scores from Uz (2015) for 68 countries	Uz (2015)
Linguistic distance	Lexical distance between main languages	Number (0: lowest; 1: highest) calculated via comparison of 40-item word lists of	Own calculation based on Wichmann

	of two countries (Wichmann et al., 2016)	the countries' languages (Wichmann et al., 2016) – see Appendix B for illustration	et al. (2016) and Automated Similarity Judgment Program Database (2018)
Contextual distance	Distance between the cultural contexts of two countries; defined as low if both countries have low context cultures, and as high otherwise (Hall, 1976; Hall, 1990; Kittler et al., 2011)	Number (0: low contextual distance; 1: high contextual distance) – see Appendix B for illustration	Kittler et al. (2011)
Cultural experience	Cumulative spendings of a client on projects outside of the home country at a certain time	Number (0: lowest cultural experience), common logarithm of total foreign-countryspendingsof a client in USD	WeSource.com website; own calculation
Supervision intensity	Client's intensity of monitoring a freelancers progress	Number (0: low supervision intensity; 1: high supervision intensity); we assume high supervision for hourly contracts (for which the client receives hourly screenshots of the freelancer's screen via WeSource.com) and low supervision intensity for fixed-budget contracts (for which, on WeSource.com, the client can only monitor the progress via the messages and deliverables sent by the freelancer).	WeSource.com website
Power distance	Degree of acceptance of power established in a power-asymmetric relationships, such as the client-freelancer relationship (Hofstede, 1984)	Number (0: lowest power distance)	Hofstede (2016)

Table 1. Operationalization of Variables

Data Collection and Preparation

We collected primary data from WeSource.com and secondary data from the literature. For obtaining the primary data from WeSource.com, we compiled a list of freelancers, who have worked on the platform for at least one hour or one project. In total, we obtained a list of 20,045 freelancers for whom data on 99,604 offshoring projects were available. Data collection took place between Oct. 24 and Nov. 04, 2016.
We distinguish three datasets:

● Dataset 1 – records on project-related data for 84,052 projects conducted between 182 different countries[2].
● Dataset 2 – records on project-related data[3] and cultural data[4] (excluding contextual distance) for 32,645 projects. We added secondary data on cultural looseness (Uz, 2015), linguistic distance, and power distance.

Following Wichmann et al. (2016), we compute data on *linguistic distance* from lexical distances in the database of the Automated Similarity Judgment Program (ASJP). Finally, we obtain data on *power distance* from Hofstede (2016), that is, mainly from Hofstede (1984) with few additions of data provided by other researchers.

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[2] The list of countries included in the raw data and the three datasets is available upon request.

[3] *Success of the offshoring project*, *budget*, *total hours worked*, *hourly rate*, *cultural experience*, and *supervision intensity*.

[4] *Cultural looseness*, *linguistic distance*, and *power distance*.

This data was only available for 61 of the 182 countries; therefore, we performed list-wise deletion to obtain a complete dataset (Enders, 2010). We opted for list-wise deletion, as missing values mainly occurred on cultural looseness, linguistic distance, contextual distance, and power distance and imputing data on cultural variables for whole countries would significantly decrease statistical power. We eliminated 51,407 project records.

- Dataset 3 – records on 14,773 projects with data on all variables (including contextual distance)[5]. In a last step, we added secondary data on contextual distance (Kittler et al., 2011) to the records in Dataset 2. As this data was only available for 18 of the 61 countries, we again performed list-wise deletion. We thereby eliminated 17,872 project records.

Data Analysis

Firstly, we calculated mean values and standard deviations for variables across the three datasets. Then we calculated descriptive statistics for Dataset 2 and Pearson correlation coefficients for Datasets 2 and 3.

For Dataset 2, we checked for the proportion of repeated interaction between a particular client and freelancer (e.g., client assigning the second project to the same freelancer), as this could introduce endogeneity issues from selection bias. Overall, repeated interaction occurred in only 6.6% of the projects. Against this finding, we can consider the endogeneity introduced from repeated interaction negligible and opt against formally addressing (e.g., via two-stage selection models).

Hence, we next performed an ordinal regression analysis on Dataset 2 (Model 2) to predict the success of an offshoring project based on cultural looseness (client's country), cultural looseness (freelancer's country), linguistic distance, and power distance (freelancer's country), as well as the client's cultural experience and supervision intensity.

Finally, we performed an ordinal regression analysis on Dataset 3 (Model 3) to predict the success of an offshoring project based on all independent variables incorporated in the ordinal regression analysis on Dataset 2 plus contextual distance.

Results

Table 2 shows the mean values and standard deviations for the variables across the three datasets.

Variable	Client/ Freelancer	Dataset 1		Dataset 2		Dataset 3		
Number of projects		84,052		32,645		14,773		
		Mean	Std.	Mean	Std.	Mean	Std.	(Max.) Deviation [%]
Success of the offshoring project		4.80	.59	4.80	.59	4.78	.64	0
Project budget		212	1279	218	1054	242	1277	14
Project total hours worked		43	92	40	75	43	83	8
Project hourly rate		15	11	13	8	13	9	15
Project supervision intensity		1.31	0.46	1.30	.46	1.35	.48	4
Cultural looseness	Client			65	15	62	12	5
Cultural looseness	Freelancer			43	23	47	16	9
Power distance	Freelancer			76	18	75	20	1
Cultural experience	Client			.42	.68	.43	.69	2
Linguistic distance	Client/ Freelancer			.62	.48	.64	48	3
Contextual distance	Client/ Freelancer					.79	.41	-

Table 2. Mean and Standard Deviations for the Three Datasets

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[5] *Success of the offshoring project*, *budget*, *total hours worked*, *hourly rate*, *cultural experience*, and *supervision intensity, cultural looseness, linguistic distance, power distance,* and *contextual distance.*

Overall, deviations indicate that the datasets do not systematically differ: *Success of the offshoring project* (dependent variable), *cultural looseness* and *linguistic distance* (independent variables), and *cultural experience* and *power distance* in the client's country (control variables) each deviate by less than 10% across datasets. Means of project-related variables excluded from the model are homogenous across datasets, except project budget and project hourly rate (deviation by 14% or 15% respectively). Only *project budget* and *project hourly rate* deviate by up to 14% and 15% respectively.

The average project in Dataset 2 lasted for 41 days and had a budget of USD 218. 70% of the projects had a fixed budget, 30% were paid on an hourly basis – on average, 40 hours at a rate of USD 13. Overall, 9,962 freelancers worked in the 32,645 projects for 23,964 different clients. The median number of projects per freelancer was three. Clients and freelancers together represented 62 different countries. 21% of the freelancers reside in India, followed by 16% in the Philippines, and 11% in Bangladesh. Of the clients, 62% reside in US, followed by 10% in the UK, and 9% in Canada.

To assess linear dependence between variables, we compute Pearson correlation coefficients for Datasets 2 and 3 (see Table 3).

	(Dataset)	Success of the Offshoring Project	Supervision Intensity	Cultural Tightness (Client)	Cultural Tightness (Freelancer)	Power Distance (Freelancer)	Cultural Experience (Client)	Linguistic Distance (Client - Freelancer)	Contextual Distance (Client - Freelancer)
Success of the Offshoring Project	2	1							
	3	1							
Supervision Intensity	2	-.117	1						
	3	-.130	1						
Cultural Tightness (Client)	2	.004	-.009	1					
	3	-.006	-.002	1					
Cultural Tightness (Freelancer)	2	.055	-.055	.050	1				
	3	.062	-.121	.044	1				
Power Distance (Freelancer)	2	-.028	.057	-.025	-.466	1			
	3	-.047	.112	-.081	-.773	1			
Cultural Experience (Client)	2	.062	-.001	-.005	.032	-.092	1		
	3	.064	-.017	-.016	.087	-.168	1		
Linguistic Distance (Client / Freelancer)	2	-.054	.078	-.202	-.575	-.449	-.066	1	
	3	-.067	.119	-.314	-.760	.648	-.145	1	
Contextual Distance (Client / Freelancer)	3	-.071	.083	-.120	-.601	.580	-.182	.677	1

Grey shading: correlation not significant at the .05 level (2-tailed); white: significant at .05 level

Table 3. Pearson Correlation Matrix for Datasets 2 and 3

We calculate the two ordinal regressions models to predict success of the offshoring projects, one for Dataset 2 and one for Dataset 3. We found a significant regression equation for Dataset 2 (regression model M_2; chi square = 457, $p < .001$ with $df = 6$) and a significant regression equation for Dataset 3 (regression model M_3; chi square = 382, $p < .001$ with $df = 7$). Table 4 reports regression coefficients for both models.

In summary, our results largely support our research hypotheses and point to significant effects for the impact of cultural looseness and cultural frictions on the success of offshoring projects. Specifically, we find:

- C*ultural looseness* in the client's country negatively impacts the success of offshoring projects (supporting H_{1a}). A one unit increase *cultural looseness* of the client's country, which indicates that a country's culture becomes *looser* by one unit (since 0: tightest country), is associated with .998 (M_2, $p < .1$) or .994 (M_3, $p < .001$) times the odds of being at the highest level of *success of the offshoring project*.
- C*ultural looseness* in the freelancer's country positively impacts the success of offshoring projects (supporting H_2). A one unit increase *cultural looseness* of the freelancer's country, which indicates that a country's culture becomes *looser* by one unit (since 0: tightest country), is associated with 1.004 (M_2, $p < .1$) or 1.006 (M_2, $p < .001$) times the odds of being at the highest level of *success of the offshoring project*.

- *Linguistic distance* between the client's country and the freelancer's country negatively impacts the success of offshoring projects (supporting H_3). A low *linguistic distance*, where client and freelancer – while communicating in English – speak linguistically close native languages, is associated with 1.179 (M_2, $p < .001$) / 1.175 (M_3, $p < .1$) times the odds of being at the highest level of *success of the offshoring project*, as opposed to high *linguistic distance*, where both speak linguistically distant native languages.
  Language serves as context that can be shared, even though most of the communication on WeSource.com is in English. As linguistic distance increases, e.g., from English-English (no linguistic distance) to English-Dutch (medium linguistic distance) to English-Chinese (high linguistic distance), success of offshoring projects decreases.
- *Contextual distance* between the client's country and the freelancer's country negatively impacts the success of offshoring projects (supporting H_2). A low *contextual distance* where client and freelancer both come from a low context culture is associated with 1.362 (M_3, $p < .001$) times the odds of being at the highest level of *success of the offshoring project*, as opposed to a high *contextual distance* where client and freelancer both come from a high context culture.

  If client and freelancer both come from low-context cultures, they are used to explicitly encoding the complete message with little reference to context. This avoids ambiguity. If client and freelancer both come from high-context cultures, they are used to codes that say little explicitly and transmit a lot implicitly through context. However, contextual distance across different high-context cultures negatively affects the success of offshoring projects.

Model			Estimate (β)	Std. Error	Wald	Exp(β)
M_2	Threshold	[Success = 1]	-4.297***	.147	859.401	
		[Success = 2]	-3.522***	.138	647.524	
		[Success = 3]	-2.400***	.134	323.173	
		[Success = 4]	-1.242***	.132	88.594	
	Location	Cultural Looseness (Client)	-.002*	.001	3.592	.998
		[Linguistic Distance = 0]	.165***	.046	12.846	1.179
		[Linguistic Distance = 1]	0[a]			
		Power Distance (Freelancer)	.001[n.s.]	.001	1.442	1.001
		Cultural Looseness (Freelancer)	.004***	.001	23.443	1.004
		Cultural Experience (Client)	.012[n.s.]	.022	.326	1.012
		[Supervision Intensity = 1]	.652***	.034	367.112	1.919
		[Supervision Intensity = 2]	0[a]			
M_3	Threshold	[Success = 1]	-3.717***	.343	117.461	
		[Success = 2]	-3.000***	.338	78.925	
		[Success = 3]	-1.946***	.334	33.866	
		[Success = 4]	-.846**	.333	6.432	
	Location	Cultural Looseness (Client)	-.006***	.002	7.499	.994
		[Contextual Distance = 0]	.309***	.091	11.445	1.362
		[Contextual Distance = 1]	0[a]			
		[Linguistic Distance = 0]	.161*	.096	2.789	1.175
		[Linguistic Distance =1]	0[a]			
		Power Distance (Freelancer)	.006***	.002	6.994	1.006
		Cultural Looseness (Freelancer)	.006*	.003	2.994	1.006
		Cultural Experience (Client)	.301***	.039	59.606	1.351
		[Supervision Intensity = 1]	.722***	.048	225.496	2.059
		[Supervision Intensity = 2]	0[a]			

Link function: Logit.
*** / ** / *: significant at level p < .01 / p < .05 / p < .1; n.s.: not significant
a: Parameter set to zero because of redundancy

Table 4. Regression Coefficients

Regarding the controls, we firstly find that the client's *cultural experience* positively affects the success of offshoring projects. A one unit increase in *cultural experience*, computed as the common logarithm of the cumulative amount of money a client has so far spent for projects outside the home country, at the time of the respective project, measured in USD, is associated with 1.012 (M_2, n.s.) / 1.351 (M_3, $p<$ .001) times the odds of being at the highest level of *success of the offshoring project*.

The client's *supervision intensity* negatively influences the success of the offshoring project. A low *supervision intensity*, i.e., a non-intense monitoring of the freelancer's work process by the client, is associated with 1.919 (M_2, $p<$ .001) / 2.059 (M_3, $p<$ .001) times the odds of being at the highest level of *success of the offshoring project*, as opposed to high *supervision intensity*.

The freelancer's *power distance* positively affects the success of offshoring projects. A high *power distance*, i.e., a high extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally, is associated with 1.001 (M_2, p = n.s.) / 1.006 (M_3, $p<$ .001) times the odds of being at the highest level of *success of the offshoring project*, as opposed to high *supervision intensity*.

Overall, our findings demonstrate that client and freelancer coming from a similar or even shared cultural context fosters the success of offshoring projects, while – in turn – diverging cultural contexts pave the way to ambiguity and thereby diminish the success of offshoring projects. Thereby we exhibit the importance of cultural contexts for fostering the success of offshoring projects.

Contribution and Implications

We organize our contribution to the literature along four brief themes: (1) Cultural looseness and cultural friction as success factors for cross-cultural offshoring projects, (2) Investigation level: national versus organizational cultural contexts, and (3) Inter-actor relationships in platform-mediated offshoring practices, and (4) cross-cultural contexts in the era of spreading digitization.

(1) Cultural looseness and cultural friction as success factors for cross-cultural offshoring projects

Overall, our findings confirm past research on cultural looseness and the impact of cultural projects. We could replicate parts of Gelfand et al. (2006, 2011) by showing that clients from culturally tight countries contribute to the success of offshoring projects by putting stronger efforts in ex-ante delimiting the solution space and explicitly coding what would constitute an appropriate solution. However, freelancers from loose cultural contexts contribute most to the success of offshoring projects, likely because they feel less pressured to conform to expectations.

In line with communication theory (Reddy, 1979; Sperber & Wilson, 1995), we find it to be conducive for the success of offshoring projects if client and freelancer engage in as much explicit coding as possible and rely as little as possible on the cultural context. Diverging contexts are detrimental for non-ambiguity in encoding and decoding processes, and thus detrimental for achieving a shared understanding on what the goal is and how it should be accomplished.

(2) Investigation level: national versus organizational cultural contexts

So far, only few IS studies focus on the impact of national cultures. Stressing the importance of national cultures in offshoring projects, our study complements the literature on the success factors of offshoring projects. Taking into account mixed levels of investigations, we complement prior works, which find that the success of innovation projects (in our study, offshoring projects) is rather prone to the impact of cultural contexts (Aubert et al., 2015; Tarafdar& Gordon, 2007). As we acknowledge the cultural forces as a macro-environment prevalent in these settings (Del Giudice & Straub, 2011), we show how appropriately selected and managed (national) cultural contexts foster the output in offshoring projects and thereby contribute to both the literature on offshoring projects, technology-mediated project management, and the role of cultural contexts in digital ecosystems. In contrast to focusing on national culture contexts, most of the IS literature investigates the impact of organizational culture rather than national one (for a structured overview see, for instance, Leidner&Kayworth, 2006).

Similar to van der Vegt et al. (2005), who state that instances of national power distance impact (national and regional) innovative business environments, we find (national) power distance to influence the success of offshoring projects. Different from Garud et al. (2002) and Henfridsson and Yoo (2014), we could safely ignore the institutional or organizational context or the 'mindful deviation' from it as success drivers. As our data relates to platform-mediated offshoring projects with one person on either side, cultural variables on the organizational level, such as team cultural heterogeneity or team leadership style, do not apply in our case.

Nevertheless, studies on absorptive capacity as driver for problem solving (Montazemi et al., 2012; Tiwana& McLean, 2005) somehow resemble our cultural tightness in that both relate to openness for solutions to problems present in a context, e.g., in form of knowledge opportunities.

(3) Inter-actor relationships in platform-mediated offshoring practices

Furthermore, we offer some insights on managing inter-actor relationships in platform-mediated offshoring practices. Complementing Orlikowski and Scott (2008), Latour (2005) and Giddens (1984) on the interplay of people and technology, we stress the opportunity arising from managing cultural contexts in platform-mediated offshoring projects. We thereby confirm that the precise codification of the respective knowledge backgrounds is crucial for the quality of the project solutions.

(4) Cross-cultural contexts in the era of spreading digitization

Finally, with our large scale empirical findings, we complement earlier studies on the spreading digitization (Loebbecke& Picot, 2015; Mithas et al., 2013) which promotes playing on cross-cultural contexts similar to taking advantage of knowledge management processes (Newell &Marabelli, 2015), the implementation of social networks (von Krogh, 2012), or digital ecosystems (Markus &Loebbecke, 2013), or platform-mediated business processes (Markus &Bui, 2012).

Additionally, our study offers *practical implications* for managing offshoring projects across cultural contexts. The platform design likely ought to raise both client's and freelancer's awareness for cultural contexts and their potential of introducing ambiguity into offshoring projects. Furthermore, platforms should raise their users' awareness, motivation, and capability to cushion the negative impacts of cultural contexts. To this end, they should integrate checklists, project guidelines, and collaboration tools in the platform design.

Summary and Outlook

We have investigated how national culture in the form of cultural looseness and cultural frictions impacts the success of offshoring projects. We developed a model on the joint impact of cultural looseness and cultural frictions on the success of offshoring projects and confirmed the model against evidence from more than 30,000 offshoring projects. Our findings underpin the impact of cultural contexts on the success of offshoring projects. They further point to the proneness of project success to cultural contexts.

Future work may want bridge between studies investigating organizations or national contexts and study the impact of national culture on – perhaps even multinational – organizations, which in turn are likely to influence employees and freelancers in their ecosystems alike (Markus &Loebbecke, 2013). Another particularly meaningful extension of our study would be triangulation of findings via other, preferably qualitative approaches to gain further insights on the *why* of the impact of culture on offshoring projects. Such qualitative approaches could also further isolate cultural impacts within distinct project stages. Also, future work may want to take interaction effects between cultural looseness and cultural frictions into account, and it may want to further investigate dyadic relationships from a cultural looseness perspective, i.e. controlling for the impact of match vs. mismatch in cultural looseness. To draw a more granular picture of cultural impacts, it may also assess how culture moderates the impact of client or freelancer characteristics and project features on project success. Finally, the investigations of multi-actor projects with more than one client and more than one freelancer ('temporary organization' or 'temporary institution' – Bechky, 2006) would constitute a viable extension.

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Appendix A:Cultural Looseness Scores (Source: Uz, 2015, p. 9)

Country	Cultural looseness (0: most tight)	Country	Cultural looseness (0: most tight)	Country	Cultural looseness (0: most tight)
Albania	37.2	Iceland	51.2	Portugal	87.4
Algeria	19.2	India	43.7	Puerto Rico	63.1
Argentina	75.0	Indonesia	3.1	Romania	42.4
Austria	75.8	Ireland	71.2	Russia	57.2
Belarus	60.5	Italy	67.8	Saudi Arabia	22.4
Belgium	119.8	Japan	43.3	Serbia	61.8
Bosnia & Herzeg.	51.9	South Korea	20.1	Serbia &Monten	61.8
Bulgaria	60.4	Kyrgyzstan	52.6	Singapore	55.2
Canada	84.6	Latvia	42.7	Slovakia	59.0
Chile	86.8	Lithuania	54.4	Slovenia	55.1
Croatia	55.0	Luxembourg	113.9	South Africa	67.6
Czech Republic	59.6	Macedonia	64.3	Spain	83.9
Denmark	65.5	Malta	28.1	Sweden	87.9
Egypt	3.9	Mexico	74.7	Turkey	12.5
Estonia	55.4	Moldova	41.9	Ukraine	56.9
Finland	74.5	Morocco	0	United Kingdom	89.3
France	99.6	Netherlands	78.9	United States	58.0
Germany	82.9	Peru	52.3	Vietnam	35.9
Greece	58.3	Philippines	31.5	Zimbabwe	30.4
Hungary	42.8	Poland	42.8		

AppendixB: Contextual and Linguistic Distances between two Countries (here: US plus another country)

United States (US) to Country B	Contextual Distance*	Linguistic Distance**
Albania (AL)		96.72
Algeria (DZ)		95.63
Argentina (AR)	1	93.34
Armenia (AM)		99.55
Australia (AU)	0	.00
… lines omitted due to page constraints, available upon request		
Yugoslavia (YU)		
Zambia (ZM)		
Zimbabwe (ZW)		

* Contextual distance is defined as low (0) if both countries have low context cultures, and as high otherwise (1)

** Following Wichmann et al. (2016), we calculate the index as a number reflecting the lexical distance between two countries (0: lowest distance) via comparison of 40-item word lists per language. We obtained the raw data from the database of the Automated Similarity Judgment Program (Automated Similarity Judgment Program Database, 2018).