

**“I’m rubber, you’re glue”:**

**How professional accountants cope with the stigma associated with their clients in the U.S. cannabis industry**

Seamus Dufurrena

Bernard Leca

Ioana Lupu

## Abstract

While a small number of studies have explored the experience of stigma by professional accountants, our knowledge in this area remains under-developed. Studies thus far have mainly focused on how individual members of the accounting profession manage the stigma related to their unique identities; otherwise, studies seem to have concentrated on how the accounting profession manages the stigma associated with anomalous events (e.g. the collapse of Canadian Commercial Bank or Arthur Anderson). However, this literature falls short of revealing how professional accountants cope with the stigma associated with certain client organizations. In this study, we contribute to the notion of ‘stigma transfer’ by examining a context in which professional accountants enter into commercial partnerships with organizations suffering from core-stigma. The United States cannabis industry, our research setting, has long suffered from intense stigmatization, particularly on the part of the federal government which has pursued a decades-long “War on Drugs”. Currently, a multitude of states have legalized cannabis for medicinal or recreational use despite national prohibitionist policy which remains in place. While federally illegal, a number of professional accountants, predominantly from small and medium sized firms, have staked their careers on providing services to cannabis firms. We aim to understand how professional accountants cope with the stigma associated with these client organizations and the prospect of it transferring to the professionals themselves. Additionally, we seek to understand what factors enable professional accountants to undertake such partnerships with core-stigmatized clients. Our approach draws on the literatures of stigma and the professions in order to derive theoretical insights from data collected through semi-structured interviews and other qualitative sources on the professional accountants servicing this industry. Our findings suggest that professional accountants are enabled to enter such industries when 1) their values position is not at odds with the core values of stigmatized organizations, and 2) they are able to settle an initial reluctance to enter through a process of rationalization. Similarly, we find that professional accountants employ a number of measures to mitigate the chances of stigma transferring to them as well as to contend with the consequences of stigma experienced both by their clients and themselves by extension. These findings have both practical implications for small professional service providers as well as theoretical implications for research on stigma and the professions more broadly.

**Keywords:** accounting, cannabis, stigma, stigma transfer, accounting associations, professional ethics, professional accountants

## Introduction

*CPA's have been hesitant to get into this because of the risk of jeopardizing their license, you know. We can get accused of aiding and abetting. But state licensing boards like the Colorado State Board of Accountancy that regulates my license has issued a position paper [...] that if I'm a licensed CPA in Colorado, from their viewpoint, it's OK for me to work with legal regulated, you know, cannabis clients, as long as I fulfill my other professional obligations (the AICPA code of conduct and my ethical things). They make it very clear that they don't give me a "get out of jail free card" if the Department of Justice wants to come at me. [...] I don't know if you followed like Jeff Sessions as the Attorney General under Trump for a while. And he was like... he did not like cannabis at all and scared the shit out of the industry and people like us [...]*

- Cannabis industry accountant, Colorado

Amid research on social evaluation constructs, stigma has received a burgeoning interest among scholars, particularly in the context of organizations. This has been beneficial to knowledge production as its sister constructs, such as legitimacy, status, and reputation, have been relatively well theorized and empirically tested over the last several decades. Scholarship has done well to establish that social evaluations have important implications for the outcomes of organizations including for the common indicators of profitability and market share (Devers, Dewet, Mishina, & Belsito, 2009; Pollock, Lashley, Rindova, & Han, 2019) as well as access to critical resources (Deephouse & Suchman, 2008; Suchman, 1995). Particularly in the case of stigma, a negative social evaluation, organizations who are the targets of stigmatization by key audiences have been documented to experience tough challenges and impediments to their operations and outcomes. Such challenges have included the concern of having stigma transfer to important stakeholders and likewise affect them (e.g. suppliers and clients - (Hudson & Okhuysen, 2009). While organizational stigma as a field has made strides, important gaps remain to complete our understanding of this phenomenon, particularly with regards to the prospect of having stigma transfer and how those on the receiving end would experience and cope with it.

The accounting literature has made several important contributions to theory on stigma, regarding multiple levels of analysis, through its study of both accounting devices and

accounting practitioners. For instance, and where accounting devices are concerned, studies have shown their ability to enable and even perpetuate the stigma experienced by large collectives where they are used (Graham & Grisard, 2019; Walker, 2008). While these studies have alluded to accounting devices as stigma *enablers*, there is perhaps as much or even more evidence to the contrary. Counter accounts (Detzen & Hoffmann, 2018), CSR reporting (Lauwo, Kyriacou, & Julius Otusanya, 2020) and earnings management (S. Zhang, Jiang, Magnan, & Su, 2019) have been employed by individuals and organizations to manage and, indeed, counter-act the effects of stigmatizing events (Hudson, 2008). Recently, and in the context of cannabis, studies have similarly suggested that accounting devices can also be *disablers* of stigma by facilitating the establishment of positive identities at the organizational level (Pflueger, Palermo, & Martinez, forthcoming) as well as normalizing the dirty work associated with the production and distribution of stigmatized products at the industry level (Romi, Carrasco, Camors, & Masselli, 2021). With regards to organizational stigma theory, these accounting studies have shed light as to how devices and practices may serve as arbiters of stigma. However, more work is needed to help complete our understanding of the dynamics of stigma, and especially stigma transfer, between organizations suffering from stigma as well as the implications for professionals providing services to them.

Adjacent to the research that focuses on accounting devices and stigma, and of particular interest to the present study, are studies that address the stigma experienced by professional accountants in practice. Studies from this stream have drawn from Goffman's (1963) notions of stigmatized individuals to describe processes undergone in dealing with, for example, the negative stereotype of the accounting professional (Jeacle, 2008) as well as with the (concealable) stigmatized identities of homosexual members of the profession (Stenger & Roulet, 2018). The latter revealed important insights as to how individuals with core-stigmatized attributes face working environments that are 'highly normative' and 'heterosexist'

in which high status collectives, that is, professions, operate. While these and other studies highlight the struggles of individuals with permanent stigmatized attributes, accountants have also suffered from what may be referred to as ‘stigmatizing events’ as experienced (temporarily) by individuals and the broader profession. For instance, Gendron and Spira (2010) revealed the identity work undergone by former members of Arthur Anderson to maintain or revise their professional identities after the firm’s collapse. In a similar vein, other work examines how the profession is confronted with stigma and takes into account the role of professional associative bodies (Dellaportas, 2014; Neu & Wright, 1992). Dellaportas (2014), for example, makes a critical examination of the role that accounting associations might play in reintegrating professional members who have served jail time for crimes and thus grapple with exclusionary stigma as a result. Although these studies have provided important lessons for the accounting field, not to mention broader theoretical insights for stigma theory, the literature currently falls short in elucidating other contexts and situations in which accounting professionals may be faced with the burden of stigma such as, for instance, that of ‘core’ stigma. This ‘sub’-construct is concerned with stigma associated with core attributes (Hudson, 2008).

As a collective, the accounting profession itself is not likely the target of core-stigma by very many audiences. However, those professionals that provide services to organizations suffering from core-stigma in controversial industries may have to contend with the possibility of stigma transfer, a phenomenon that can result in reputational losses, opportunity losses, and otherwise discrimination (Hudson & Okhuysen, 2009). While there are studies that examine the management of stigma by core-stigmatized firms themselves and, to a far lesser extent, concerns for stigma transfer by their stakeholders (Khessina, Reis, & Verhaal, 2020), understanding how the commercial partners of such firms, professional accountants for instance, contend with the concerns and consequences of stigma should provide important lessons to the field. For instance, the consequences to reputation and licensure for members of

high-status professions seeking to exploit economic opportunities in strongly stigmatized industries are not well understood. The means by which professionals may effectively mitigate or eliminate those consequences similarly eludes scholarship. Examining these issues may further our understanding of the relative power of professions compared to other occupational groups.

Furthermore, and with important implications for broader organizational theory, examining the processes undergone by such professionals in these contexts should further our understanding of what enables core-stigmatized organizations to survive – and even thrive – in an inter-dependent commercial environment. As noted in a recent and comprehensive review of stigmatization, “Understanding the ways in which stigmatization moves is crucial for understanding the implications of stigmatization and how to manage them” (Zhang, Wang, Toubiana, & Greenwood, 2021) And while Zhang and colleagues (2021) emphasize a need to examine processes of stigmatization across levels of analysis, we argue that processes undergone whose aim is to mitigate the possibility of stigma transfer, even within the same level of analysis, remains mostly absent from our understanding of stigmatization processes currently. In the absence of empirical evidence illustrating the means by which professional commercial partners cope with the stigma associated with their clients, this study seeks to provide theoretical insight by examining the approach of professional accountants to managing the relationships that they hold with such core-stigmatized organizations. To do so, this study examines these commercial relationships in the context of the cannabis industry in the United States.

In the U.S., the cannabis industry is one that historically has experienced very strong stigma through both the broader American public and the federal government which, since the Marijuana Tax Act of 1937, has expended vast resources to pursue and prosecute producers and consumers of cannabis, effectively pushing it underground. Nonetheless, with the advent of

state-level legalization efforts over the last decade, as of 2021 a majority of states have established legal medical (36/50 states) or recreational “adult use” (12/50 plus Washington D.C.) cannabis markets regulated within each state’s own borders. However, federal laws have not followed suite and U.S. government agencies retain the authority to inflict harsh punishment on cannabis firms and cannabis consumers. As a delineable social audience performing an evaluation of cannabis, the federal government, through its rotating administrations and varied agencies, has clearly stigmatized the industry and remains a potent obstacle to its core activities. As a consequence, cannabis firms are unable to operate across state lines and lack steady access to a number of ancillary business services that most other industry organizations take for granted such as banking and insurance, for instance, due to fear of federal retribution. Therefore, and due to the looming threat of the federal government and its power to disrupt and shut down operations, the cannabis industry continues to suffer from high uncertainty as well as severe commercial constraints.

Among the list of ancillary business services, however, are professional providers which deliver critical services, such as accounting, to organizations across industries. As it happens, cannabis organizations have been able to access third-party professional accounting services as there are a growing number of accountants that have been willing to service the industry, despite the potent stigma associated with it and its corresponding federal threat.

We take an inductive approach to answer the following question: *How do professional accountants cope with the stigma associated with their client organizations?* Elaborating on this question, the purpose of this study is to identify the factors that enable such accountants to successfully enter such industries to provide services in contexts where, for example, Big 4 accounting firms haven’t ventured. The federally illicit nature of the cannabis industry provides an ‘extreme’ context for our study thought to be conducive to generating new theoretical insights (Eisenhardt, 1989). Our findings suggest that professional accountants are enabled to

enter such industries when 1) their values position is not at odds with the core values of stigmatized organizations, and 2) they are able to settle an initial reluctance to enter through a process of rationalization. Similarly, we find that professional accountants employ a number of measures to both mitigate the chances of stigma transferring to them and to contend with the consequences of stigma experienced both by their clients and themselves by extension. These findings have broader theoretical implications for research on stigma as well as the professions.

The rest of this paper will proceed as follows. In the next section, we provide theoretical background for this study through an examination of stigma literature in the context of organizations and, to a lesser extent, occupations and professions. We then proceed to describe our empirical context followed by the methods employed to address our research question. We develop our findings subsequently and close the article with a discussion of how professionals manage the issue of stigma when working in partnership with core-stigmatized firms.

### **Theoretical background**

To examine the context of professional accountants servicing cannabis clients, we first attempt to identify and examine the extant literature that defines the constructs relevant to our study. Below we outline how the notion of stigma, a negative social evaluation construct, has been examined thus far and in regards to organizations and their commercial activity. We then turn our attention to the professions literature and situate our study relative to other accounting studies that have looked at the profession in terms of stigma. While the literature on stigma predominantly examines the construct with regards to organizations, we consider it important to draw from the relatively limited work focused on stigma with regards to occupations, and indeed the professions, because the context of our study takes into account the role of professional accountants. Accountants themselves maintain strong affiliations with their profession which, in the case of certified public accountants (CPAs) in the U.S., compel them to meet a number of strict requirements regarding licensing, continued education, and adherence to codes of ethics. Because these characteristics, core to the activities undertaken by these

professionals, likely distinguish them from other kinds of commercial partners of core-stigmatized organizations, we feel it necessary to take into account the theoretical relevance of professions for this study.

*Stigma as a construct.* Stigma refers largely to the notion of being discredited or discreditable, or otherwise falling short of complying with social norms, on the basis of certain attributes (Goffman, 1963). As Goffman put it, the stigmatized individual is one that is “possessing an attribute that makes him different from others in the category of persons available for him to be, and of a less desirable kind — in the extreme, a person who is quite thoroughly bad, or dangerous, or weak. He is thus reduced in our minds from a whole and usual person to a tainted, discounted one” (page 2). Stigma is not, however, inherent to the individual, group, or organization, but rather exists “in the eye of the beholder”; that is, stigma is a social evaluation made by an audience of a ‘target’ on the basis of those discreditable attributes (Hudson, 2008; Hudson & Okhuysen, 2009; Pollock et al., 2019).

Since his seminal work in 1963, Goffman has been extensively cited and his conceptualizations of the stigmatized individual have been extended to groups, organizations, and categories of organizations or industries. Organizational stigma has been aptly defined as “a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization” (Devers et al., 2009). Literature addressing organizational stigma tends to be concentrated on the notions of ‘event’ stigma and ‘core’ stigma (Zhang et al., 2021). The notion of event stigma constitutes “anomalous” events (e.g. corporate scandals), the result of which is the stigmatization of an organization by certain audiences (i.e. key stakeholder groups) but from which an organization can probably recuperate (Hudson, 2008) through such efforts as ‘stigma management’(Goffman, 1963; Neu & Wright, 1992), a concept that will be elaborated on subsequently. Core stigma, on the other hand, is the negative evaluation made on the basis of

one or more core attributes of an organization (such as core activities, outputs, or customers) and is arguably more difficult to manage or get rid of, particularly because core attributes compose the essence of an organization and cannot be readily changed without compromising its very existence (Hudson, 2008)<sup>1</sup>.

Organizations suffering from core stigma often face significant challenges to the on-goings of business and may employ a number of strategies to mitigate their fallout. For instance, stigmatized organizations may have to undertake extraordinary efforts to consistently secure supplies and to protect their clients' privacy even if, for instance, they are of good financial standing because crucial stakeholders are reluctant to be associated with them. Similarly, the characteristics of stigmatizing audiences are of substantial consequence to the targets of stigma and their wellbeing. For instance, the strength of stigmatization and its effects are moderated by "the number, size, and influence or power of the social audiences stigmatizing the organization" (Hudson, 2008 p. 258). Stakeholder groups endowed with power and influence and who disapprove of an organization's core attributes may sanction and discredit the organization as a means of social control (Devers et al., 2009; Goffman, 1963) and to such an extent as to dissuade others from affiliating with such organizational targets of their stigmatization. This situation concerns the notion of 'stigma transfer' and has been examined from the perspective of core-stigmatized firms attempting to shield their customers and commercial partners (e.g. men's bath houses – Hudson & Okhuysen, 2009). We'll likewise circle back to this notion in later sub-sections.

*Stigma and occupations.* Stigma does not elude other meso-level units of analysis. The construct has received considerable attention with regards to occupations and the professions, albeit to a far lesser extent concerning the latter. And while the body of literature on stigma

---

<sup>1</sup> It's worth mentioning that the notion of category stigma, that is a blanket stigmatization of populations (e.g. of firms) with core-stigma, has also been explored in the context of industries (e.g. cannabis - Lashley & Pollock, 2019) and products (e.g. craft beer - Barlow, Verhaal, & Hoskins, 2018).

seems to be growing overall, stigma as experienced by occupations seems to have been overshadowed to some degree by its examination in the context of organizations, even while the importance of examining occupations, relative to organizations, has arguably grown (Anteby, Chan, & Dibenigno, 2016). Anteby and colleagues recently defined occupations as “socially constructed entities that include: (i) a category of work; (ii) the actors understood—either by themselves or others—as members and practitioners of this work; (iii) the actions enacting the role of occupational members; and (iv) the structural and cultural systems upholding the occupation” (page 6). These are to be distinguished from jobs which compose a “bundle[] of tasks performed by employees under administrative job titles [...]”. Occupations are said to consist of communities of practitioners of certain work categories which transcend – and whose membership is more durable than – organizations (Anteby et al., 2016; Dimaggio & Powell, 1983).

The literature addressing occupations as targets of stigma seems largely concerned with the notion of ‘dirty work’. These dirty work occupations carry out tasks that certain audiences perceive as disgusting, degrading, or immoral (Valtorta, Baldissarri, Andrighetto, & Volpato, 2019). Physical, social, and moral taint (Ashforth & Kreiner, 2014) have been associated with certain occupations in the literature such as garbage collectors (Hamilton, Redman, & McMurray, 2019), animal shelter workers (Baran et al., 2012), sex workers (Blithe & Wolfe, 2017), as well as taxi drivers (Phung, Buchanan, Toubiana, Ruebottom, & Turchick-Hakak, 2020). These examples highlight the fact that what is being stigmatized is the work itself which, being ‘dirty’, is the source of the stigmatization by audiences and may be considered ‘core’ to the occupations in question.

*Stigma and professions.* While there are dirty-work occupations which are strongly associated with stigma, there exists another important subset of occupations that exhibit considerable privilege. The professions distinguish themselves as an elite form of occupation

and exhibit considerable wealth, status, and power; in short, they exhibit ‘privilege’ (Portwood & Fielding, 1981). Professional groups, such as doctors, lawyers, and accountants, have in common intensive and sophisticated training and certification programs (Abbott, 1988), near monopolistic control over their work often permitted by the state (Dimaggio & Powell, 1983; Portwood & Fielding, 1981), and very often organize to pursue their collective interests and expand claims to expertise through professional associations (Anteby et al., 2016; Yves Gendron & Barrett, 2004; Shafer & Gendron, 2005). The professions are also defined by notions of altruism, that is, their dedication to the well-being of their clients and other public stakeholders overall, and autonomy over their work (Timmermans, 2005). Their intensive training and certification requirements imply ownership over abstract knowledge, skills, and expertise and contribute to their exclusivity as a social group. Given the stated power and privilege exhibited by professions generally, it may be no surprise that there seems to be a dearth of literature addressing stigma associated with professional groups.

Nonetheless, a handful of studies have examined the construct of stigma in the context of professions, though for the most part shedding light on the identity processes of certain stigmatized members of the professions under study. For instance, identity construction and management strategies by individuals with stigmatized cultural identities have been documented in professional working contexts (e.g. Doldor & Atewologun, 2020a; Slay & Smith, 2011). ‘Concealable stigma’, that is, a stigmatized attribute not easily identifiable among individuals (e.g. homosexuality), and the identity consequences of maintaining concealment versus disclosing has been explored in the context of professional accounting as well (Stenger & Roulet, 2018). The theoretical insights bore by these studies largely enhance our understanding of stigma in the case of professionals.

Other accounting studies do examine the implications of stigma as they concern the profession as a collective, partially through their examination of professional associative bodies

(Dellaportas, 2014; Neu & Wright, 1992). Neu and Wright (1992), for example, highlight the approach taken by professional institutions to neutralizing the stigma associated with a discrediting event (i.e. the failure of Canadian Commercial Bank) which included not scapegoating the individual accountants implicated; this approach is argued to have effectively impeded the stigmatization of the broader profession. Dellaportas (2014), on the other hand, critically examines professional associative bodies and the role they play in the lives of individual members who, as a result of their criminal convictions, endure exclusionary stigma. The author of this study considers how accounting associations can play a role in whether convicted accountants might either recidivate into crime or reintegrate into society as productive members, suggesting that associative bodies may play an important role in contexts in which professionals confront stigma in practice. As stigma has been examined in professional contexts with regards to individuals as well as with regards to the approach of professional collectives (i.e. through their institutional bodies) to anomalous events, there seems to remain a gap in our understanding of how professionals manage core-stigma, for instance that which may emanate from commercial partners such as their clients.

*Stigma transfer.* As previously alluded to, of principal concern for those experiencing stigma and their affiliates is the notion of stigma transfer. This notion constitutes a situation in which stigmatizing audiences extend their negative evaluations to the affiliates, partners, and overall stakeholders of the targets of their stigmatization. The consequences of stigma transfer may include significant challenges in finding partners that will work with core-stigmatized organizations or even new customers to whom they can sell their products. As a result, these organizations may employ strategies to prevent stigma from transferring to their key stakeholders, including carefully selecting partners who themselves don't share stigmatizing evaluations of their core attributes or are otherwise immune from the stigma associated with those attributes (Hudson, 2008). Otherwise, targets of stigmatization may attempt to shield

their stakeholders from having that stigma transfer to them (Hudson & Okhuysen, 2009). While seemingly sparse, scholarship has uncovered these strategies employed by core-stigmatized firms themselves to protect their commercial relationships.

Questions remain, however, with regards to how stigma is addressed by the those who associate with or interact with targets of stigmatizing evaluations. To our knowledge, research has not taken into account the perspectives and approaches of the commercial partners who engage in business with the core-stigmatized and who may be at risk of being on the receiving end of transferred stigma. Though this notion has recently been examined with regards to the customers of core-stigmatized firms (i.e. cannabis customers - (Khessina et al., 2020), indeed a critical stakeholder, unclear still are the approaches taken by critical business partners such as suppliers of B-to-B goods and services and on which all organizations rely. Similarly, organizational partners who at their core lies a particular profession, whose values are generally assumed to be more closely aligned with those of broader society (Abbott, 1988), should be expected to employ distinctive approaches to issues of stigma when servicing core-stigmatized firms. These issues remain to be examined and our study aims to fill this gap.

Before outlining our approach to answering the question of how professional accountants cope with the stigma associated with their client organizations, in the next section we detail the empirical context of this study.

### **Empirical Context**

This section will describe the empirical context of this study, that is, the cannabis industry in the United States. It will do so in part by outlining the legal environment in which the industry finds itself as well as what is perhaps the most important and consequential stigmatizing audience to the industry's inhabitants: the U.S. federal government. This section will then highlight the situation regarding ancillary business services available to cannabis firms and the role of professional accountants therein.

*Cannabis in the United States.* In the United States, cannabis has a long and complicated history of stigma and prohibition spearheaded by the federal government. While this history has been well chronicled in prior studies (Khessina et al., 2020; Lashley & Pollock, 2019; Romi, Carrasco, Camors, & Masselli, 2021), the industry has been constantly evolving and it is worth highlighting the latest developments. Public opinion towards cannabis in the country overall (68% approval as of 2021 - Pereira, 2021) seems to reflect the increasing number of states that have passed some form of legalization legislation. There are, as of mid-2021, 36 of 50 states which have legalized cannabis for medical use; among which 16 states and the District of Columbia (Washington D.C.) have legalized its recreational or “adult” use. This legalization at the state level, however, is despite federal law classifying cannabis as a Schedule I Controlled Substance having “no currently accepted medical use and a high potential for abuse” (U.S. Department of Justice, 2017). In fact, production, sale, and consumption of substances belonging to this category face harsh penalties under the guidelines of federal bodies such as the Drug Enforcement Agency (or DEA). As the strength of a stigma is contingent in part on the relative power and size of the audience and may be manifested in public policy and law (Hudson, 2008), the stigma experienced by the cannabis industry due to the federal government is quite evident when considering that the production, sale, and consumption of substances belonging to the Schedule 1 category may face penalties including up to 5 years imprisonment and \$250,000 dollars in fines for first offenders trafficking the minimum amount. So, while even after considering the progress the industry has made on a state-by-state basis, there were still 650,000 arrests for cannabis-related offenses in 2020 in the U.S. overall, and of these 90% were for personal possession (Pereira, 2021).

What has provided some shielding from federal retribution is the advent of what are referred to as the “Cole Memo’s”. Under the Obama administration (2009-2017), the Department of Justice, through the Cole memoranda, issued guidance to states which had

legalized cannabis markets. These documents stipulate that if states remain compliant with 8 main guidelines, the federal government agreed to refrain from expending federal resources to prosecute state-legal cannabis activity<sup>2</sup>. However, these memoranda were rescinded by the incoming 2017 Trump administration, further fueling industry uncertainty.

And while state-recognized cannabis firms in the United States operate in a sort of legal limbo and continue to struggle through uncertainty, the industry overall is amongst the fastest growing by the tune of 37% growth in 2017, to \$9.5 billion dollars, and is projected to grow to \$23.4 billion by 2022 (Cox, 2019). In terms of job growth, the cannabis industry was considered to have created the fastest job growth of any industry in the U.S. in 2018 with a gain of 44%, employing over 146,000 people (Pellechia, 2018). Additionally, during the early months of the 2020 global pandemic in which many industries were slowed or halted from conducting business during lockdown periods, several states deemed cannabis “essential” and enabled the industry to continue producing and selling cannabis products. Whether the aforementioned progress is organic or a function of transitioning from black market to ‘white’, the growing economic opportunities and shifting public opinions are evident.

However, the conflicting legal regimes, not to mention the historic stigma attached to the product and its users, have made supportive service industries normally taken for granted (i.e. banking, insurance, etc.) reluctant to get involved. For instance, many, if not most, U.S. banks are insured by the federal government through the Federal Deposit Insurance Corporation (FDIC) and thus do not want to suffer sanctioning for facilitating what is a federally illicit trade

---

<sup>2</sup> These guidelines are: 1) Preventing the distribution to marijuana to minors; 2) Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels; 3) Preventing diversion of marijuana from states where it is legal under state law in some form to other states; 4) Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; 5) Preventing violence and the use of firearms in the cultivation and distribution of marijuana; 6) Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use; 7) Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and 8) Preventing marijuana possession or use on federal property (Cole, 2013).

(Hood, 2019). Likewise, Big 4 accounting firms (i.e. KPMG, EY, Deloitte, and PWC) have decided not to gamble the value of their brands and hence have kept the cannabis industry at arm's length, perhaps further exemplifying the industry's struggle with stigma. Nonetheless, a growing hand-full of practitioners from small- and medium-sized accounting firms have assessed the industry favorably and have taken on cannabis clients.

The role of professional accountants in this context is particularly unique. With the federal government arguably being the most consequential social audience casting the strongest stigmatized evaluation of the cannabis industry, as well as being its largest impediment and source of uncertainty, professional accountants conduct their work on perhaps the only interactive relationship that cannabis firms actually have with the federal government. Under 'normal' circumstances, as cannabis is an agriculturally derived product, this industry would be regulated under the Department of Agriculture and Food and Drug Administration (FDA). As of early 2021, cannabis remains illegal and the state-level marketplaces remain unrecognized by the United States government. As such, and in the absence of disruption by federal agencies such as the DEA, the Internal Revenue Service (IRS) is effectively the only federal entity exercising oversight over the cannabis industry across the country by strictly enforcing tax regulations such as Internal Revenue Code (IRC) 280E. This code was established in 1981 as a result of "a court case in which a convicted cocaine trafficker asserted his right [and won] under federal tax law to deduct ordinary business expenses. In 1982, Congress created 280E to prevent other drug dealers from following suit (Association, 2015)". IRC 280E disallows illicit organizations from deducting ordinary and necessary business expenses, that is, anything other than costs of goods sold (COGS). This effectively translates into a significant portion of retail expenses, such as sales and marketing, that cannot be deducted in cannabis retailers' tax bills. The IRS has thus performed tax audits extensively on cannabis firms as the industry has grown over the last decade and non-compliance has often resulted in businesses having to close their

doors. Ironic as it may seem, while the federal government does not recognize cannabis as a legitimate industry, it insists on collecting exorbitant tax revenue from it at the same time. And because professional accountants in the cannabis industry are the main arbiters of bringing cannabis firms into compliance with the IRS, they effectively mediate between these core-stigmatized firms and their most threatening stigmatizing audience.

In the following section we detail our approach to examine how such professional partners of core-stigmatized firms cope with the stigma associated with their client organizations.

## **Methods**

This study seeks to answer the following research question: *How do professional accountants cope with the stigma associated with their client organizations?* Elaborating on this question, the purpose of this study is to identify the factors that enable certain professional accountants to successfully enter such industries and provide services for stigmatized firms in such contexts in which, for instance, Big 4 accounting firms are absent. The (semi-) illicit nature of the industry provides an ‘extreme’ context conducive to generating new theoretical insights where certain processes should be more readily observable (Eisenhardt, 1989). Our approach to inductive data analysis is that of grounded theory (Corbin & Strauss, 2015; Strauss & Corbin, 1990).

### *Negotiating access*

Prior to entering the field, accountants with cannabis industry service offerings were identified through a major cannabis industry website whose content includes industry and policy news, white papers and books on regulations and best practices, and a large directory of industry and ancillary business services, among other content. From here, we were able to identify and list accountants serving cannabis for subsequent outreach attempts in various states. Similarly, and with the intention to triangulate data from multiple sources, we identified

retail dispensaries for outreach – although these were found to be highly resistant to participation in our study –, professional associative bodies (i.e. Colorado Society of CPAs), and the Internal Revenue Service. Firm names and contact information were organized alphabetically for systematic contact and follow up. We performed cold-calls first to target organizations and entities and pursued snow-ball sampling where possible.

**Table 1: Interviews conducted**

<b>Interview type</b>	<b>Professional's orientation</b>	<b>State Headquartered</b>	<b>Alias for this study</b>	<b>Number of interviews</b>
Accounting firms	CPA	Colorado	Shad	1
Accounting firms	Book-Keeper, Managerial accountant	Oklahoma	Emily	1
Accounting firms	CPA	Colorado	Tim and John	1
Accounting firms	Consultant, CPA firm	California	Alex	1
Accounting firms	CPA	Arizona	Chris	1
Accounting firms	CPA	Colorado	Don	1
Accounting firms	CPA	Illinois	Rich	1
Accounting firms	CPA	Colorado	Cathy	1
Accounting firms	CPA	New Jersey	Stephanie	1
Accounting firms	CPA	Pennsylvania	Jacob	1
Accounting firms	CPA	Colorado	Jeremy	2
Accounting firms	Book-Keeper, Managerial accountant	Michigan/Illinois	Sean	1
Accounting firms	CPA	California	Mike	1
Accounting firms	CPA	California	James	1
Accounting firms	CPA	Maine	Michele	1
Accounting firms	CPA	Florida	Ignacio	1
Accounting firms	Book-Keeper, Managerial accountant	Colorado	Sally	1
Accounting firms	CPA	Washington, D.C.	Adam	1
Accounting firms	CPA	Oklahoma	Edna	1
Grow ops	Chief Commercial Officer	Canada/West Virginia	Justin	1
State-legal retail	Manager	Oregon	Brian	1
Black market; state-legal retail	Grower/distributor; retail delivery driver	California	Phil	3
Black market	Grower/distributor - Black market	California	Alejo	1
Advocacy orgs	Environmental advocate	Colorado	Cassandra	1
<b>Total Interviews</b>				<b>27</b>

In all, 27 semi-structured interviews were conducted with accounting professionals (20), cannabis retail management (1), grow operations (1), industry sustainability advocates (1), and even black-market grower/distributors and state-legal delivery staff (4). All interviews, with the exception of four, were recorded and transcribed with the consent of the participants. Where recording wasn't possible, extensive notes were taken and subsequently shared with the respondents for cross-checking. Interviews were on average 44 minutes long. Complimenting this primary data, we triangulated with over 350 pages of documentary evidence in the form of white papers, advocate reports, trade journal articles, and regulatory documents, in addition to more than 10 hours of cannabis-centered accounting webinars and podcasts, and tens of hours of industry conference participation and direct field observations.

#### *Data analysis*

In order to shed light on the processes by which professional accountants managed or addressed stigma in this context, we took a grounded theory approach. The data composing semi-structured interviews conducted between 2018-2021 include the participants' professional background leading up to and including entry into serving cannabis, how their perspectives on cannabis have evolved over time, and what it has meant for them both personally and professionally to be service providers for cannabis clients. Additionally, their responses served to provide a birds-eye view of the unique regulatory and commercial environment of the cannabis industry in the states where data was collected, personal views towards the industry regarding its past, present, and future, and insights into the everyday and quickly evolving accounting regimes as put into practice by the professional participants of this study.

We adhered to the coding principles laid out by Strauss and Corbin (1990) which, by taking a grounded theory approach, are designed to: 1) build rather than only test theory; 2) give the research process the rigor necessary to make the theory good science; 3) help the analyst to break through the biases and assumptions brought to, and that can develop during,

the research process; 4) provide the grounding, build the density, and develop the sensitivity and integration needed to generate a rich, tightly woven, explanatory theory that closely approximates the reality it represents” (Strauss & Corbin, 1990, p.57). Utilizing qualitative research software (NVivo), we performed ‘open coding’ on our data, often on a line-by-line basis and on larger blocks of text, that represented singular ideas or concepts. For each, we initially created new nodes and labeled them according to our interpretation of what it represented theoretically.

Upon completion of open coding, we had 88 separate nodes or “first-order concepts” which we then attempted to refine, agglomerate, and subsequently group around second-order constructs (Strauss & Corbin, 1990, p. 72-73) to produce a coherent code structure. The 88 original codes were distilled down to 12 first-order constructs from which we then abstracted 4 second-order constructs that allude to factors that enable entry as well as a process of coping with the stigma associated with core-stigmatized organizations.

## Findings

This section highlights the results of our data analysis in terms of the coding structure formed by emergent first-order constructs and subsequently abstracted second-order constructs. The resulting aggregate dimension points to an overall process by which professional accountants seem to cope with the stigma associated with their cannabis industry clients, enabling them to provide services in the context of stigmatized industries.

**Table 2: Data exemplars for first-order constructs**

<b>First order constructs</b>	<b>Exemplars from the data</b>
<i>Values position prior to entry</i>	
<i>Moral congruence with (or indifference towards) cannabis</i>	<p>But I always tell people it's like... I feel like pot's in my DNA, because I actually, and I tell this more frequently than I used to, but I did a little retail business in marijuana back in the 70s when I was in college there. [laughter] Out of my dorm. You know, so that's kind of... My mother's passed away but, you know, “if my mother could see me now!” [laughter]</p> <p>Umm [my opinion] has definitely evolved, you know. I'm not really a user. I never really have been just, you know, every once in a great while. And so for me, you know, it's always been “Oh you know the potheads, stoners, or whatever”, you</p>

	<p>know. And so, and coming from Silicon Valley, that's just kind of the stigma that was placed on it.</p>
<p><i>Community influence on views</i></p>	<p>And telling my extended family, coming from California, I think it [cannabis] was always kind of around. They really pioneered the medical market. It's really not so 'faux pas' out there. Denver, obviously, people are pretty laid back. I think if you went to the mid-western states, it's a little more of a stretch. My parents are from Nebraska, but fortunately they were in California long enough to be like, eh, you know, as long as I had a job and was kind of trending in the right direction, they were happy. So, it was no issue telling them.</p> <p>Davis [California] itself is a pretty liberal town, right? So really, that was never an issue. While I recognize that there is a stigma associated with it, I don't think that stigma anymore is any worse than, you know, stigma against alcohol, you know. Or, cigarettes, let's say. It's much more socially acceptable. And at least, or at a minimum here [in California]. And I think probably because we're not in the Bible Belt, that probably...that's my opinion. I like to think that I'm an independent thinker, but I believe, in general, most of us are influenced by the community around us. So, you know, maybe that was another reason why it never really bothered me.</p>
<p><i>Overcoming reluctance to rationalize entry</i></p>	<p><i>Reluctance to get involved in industry</i></p> <p>It's extremely intense. It definitely is an extremely intense industry and it is not for the light-hearted individual because we've had a lot of accountants, CPAs that entered the industry and have left shortly. I mean, they'd been here a month and they're like "I can't do this. I'm done." So, it's definitely an industry that keeps you on your toes. But, and if you like that sort of thing, then it's the industry for you.</p> <p>I was a little bit shy telling the partners and high-level senior managers that I worked for in Ernst and Young "hey, I'm going to work in a small firm that specializes in the cannabis industry". [laughs] They were, I mean, it's kind of a head-scratcher for them[...].</p>
<p><i>Seeing the upside of cannabis</i></p>	<p>You know, as soon as it became legal, I mean, it's more of a, you know, it's really interesting... There's a local CPA here that's close to me. She's all the time putting stuff on "how could you possibly work with people in this industry?" and on and on. And 90% of her clients are breweries. And so, I mean I really don't see much of a difference. [laughter] And I happen to know that one of her clients runs a couple of pornographic sites. So, I mean how you can say that one is so much worse than any other vice out there, especially when marijuana cures kids from epilepsy and keeps people from being in chronic pain all the time. Alcohol just gets you drunk and disorderly!</p> <p>I mean, if you want to talk about the benefits too to the various cities and jurisdictions, those really come in the way of those 60-70% effective tax rates that we're seeing. I mean, if you look at where the marijuana tax fund goes to serve, it's going to mainly schools. Let's see, [...] substance abuse, mental health programs, affordable housing. I think even law enforcement gets a part of it.</p>
<p><i>Recognizing professional privilege</i></p>	<p>Yeah, the AICPA has always said that as long as it's legal in your state, you know, that you're based out of, then you're fine. Colorado society just said, "OK, fine. That's what we're doing." They've never had any issues with it.</p> <p>So, the IRS standpoint on that being, is that if we are acting within our ethics and standards that there would be no consequences. Now do I think that may change if someone has an accountant, like I said, that is not on high alert avoiding some of these, you know, things that we're seeing, maybe [there will be consequences]. I don't know. But I know that the IRS's standpoint on that is that there won't be any backlash – even at the CPA level – from the IRS standpoint.</p>
<p><i>Recognizing the economic potential</i></p>	<p>[My firm] hadn't really done much with [cannabis] at that point. But once I came, I think they felt like it was something, it was a good reason for them to start you know doing more with it. So, you know, they started organizing a little bit more and we started doing events and things like that and I mean now our group, we</p>

		<p>have a separate profit center related to cannabis. There's a couple of people dedicated, you know, I'd say 90% or more of their time to cannabis.</p> <p>Let's see, the cannabis was really just an opportunity, is really what is it, haha! Because the need is very high because it's grown so quickly and they need a lot of stuff because they get [audited]. So that's pretty much why: money, ha!</p>
<i>Anticipating stigmatization and normalization</i>	<i>de- and</i>	<p>And they want me to be full-time cannabis, but I didn't want that. I said because I don't, I think when it's legalized federally, that it's not going to be that different than any other client. So, I really didn't want to, you know hang my hat on something that might not be a big deal, you know, given a year's time or whenever it was [legalized].</p> <p>Marijuana's going to be legal nationally in a few years. Um, Oklahoma just went medical last week. Louisiana, Arkansas, now 30 states. No, it's game over.</p>
<b><i>Reducing chances of stigma transfer</i></b>		
<i>Managing professional liabilities</i>		<p>My mind is to be transparent. [...] And clients will ask, "well can you clean it up?" Well, I can organize it for you, but no I'm not going to cook your books, you know. If I do this that's not what... I'm transparent. He moved money from one entity into the other. I have to show it. That's how it goes. Ultimately, that's my job is to be transparent.</p> <p>No, the risk is to CPAs as well. I mean, the sort of CPA organization. For example, Cal CPA and AICPA, they're not governing bodies necessarily, but like the trade organizations, are very clear about you know, making sure that "Hey, if you're going to serve and work in this industry, you need to have lots of disclosures." You need to be very clear with your clients that what they're doing is federally illegal. They could be shut down anytime. You need to be very clear with investors that they're investing in something that could be a \$0 asset in the future if something were to change regulatory wise. And then make sure that, when you are working with clients, you're performing an extreme amount of due diligence and record keeping to be able to document that what you've recommended is a legal and appropriate strategy for these clients.</p>
<i>Exercising control over clientele</i>		<p>Those folks specifically are used to operating in an illegal capacity. And so, the biggest challenge that we have with them is helping them understand that we have entered into a new environment where compliance is the utmost priority. And so, the biggest issue that we face with those cannabis folks who are trying to be business folks is that they're used to being "cowboys", quote unquote. And they're used to breaking the law. And so, they want to still push the envelope in that regard, where pushing the envelope in this industry at this point is the absolute last thing that you want to be doing.</p> <p>I had one where I actually fired a client because they insisted that everything was compliant with 280E. They just moved everything, I mean it didn't matter what it was – you know meals, entertainment, office expenses, everything. They insisted. They didn't care and they put everything under 280E and it didn't matter. And I just won't work with a client that does that. [...] You know, simply because they're just not, they're just not being ethical with it.</p>
<i>Being discrete about cannabis activities</i>		<p>The thing is I don't really go out and [...]. I don't run any advertising in chasing cannabis clients. So, you know, I don't really advertise. When people ask me what I do for work, I say I'm an accountant. You know, nine times out of ten, they don't really ask much further than that. I really don't offer them much information.</p> <p>And then of course there are always those that do serve the industry and they won't serve the industry under their actual accounting firm name. They'll do a DBA [separate entity] to try to keep clients from knowing, their non-cannabis clients, from knowing that they have cannabis clients.</p>
<b><i>Addressing consequences of clients' stigma</i></b>		

---

*Being a 'niche' industry specialist*

Then my partner and I transitioned to solely cannabis in 2019. And that was more pure need out of, you know, seeing where the industry was trending. There was nobody in the area that was offering cannabis-specific services. And so we really saw that as a big niche hole that needed to be filled for these small businesses in this area. It's grown very quickly in Maine. And they were really not being well serviced by anybody locally who understood the ins and outs of cannabis. And so we transitioned the practice to just focusing on that for the last couple of years and we've been growing the business in that space ever since.

So, the IRS has consistently won on 280E. So now things are actually de-escalating. Because basically the industry has realized that it's futile to fight this issue with the IRS. They always win in Tax Court. Therefore, we've learned ways to minimize 280E, legitimately. By structuring our clients' businesses in such a way that 280E doesn't really hurt them.

---

*Expanding the professional role*

So, you know, I think typical projects that we work on for our clients would be helping them create financial statements for things like capital raising or internal controls. Uh, obviously answering a boat load of tax-specific questions and guidance around tax in the industry. Helping people build their accounting systems and financial controls for their business. Yeah, the right systems for their operations so that they can have, you know, clean, transparent record book-keeping. You know, for a variety of reasons. Obviously if there's any audits that were to happen, they could provide those answers to those auditors quickly. If there was an opportunity for exit strategy, a purchase, then we want to be able to provide clean financial to any potential operator, or any potential buyer. So, yeah, so setting up those financial controls and transparent and clean record book-keeping is one of the primary functions that we serve.

The retail operators have more of a stigma because they're the outward facing business that people walk into. You can see them, smell them sometimes. So, the license applications that we create for them often times, almost always, have to include some form of community involvement/community impact plan. So, they want to be able to demonstrate that. They are, they want to demonstrate that they are finding ways to keep kids off drugs. And then also finding other like non-profits in the community that are doing community type work in order to align themselves with, to give the perception – hopefully the reality as well – that they are actively engaged in re-developing, giving back to the community.

---

## **Coping with the stigma associated with clients**

Our analysis explores the factors and processes that enable professional accountants to enter into relationships with core-stigmatized organizations and to cope with the stigma associated with those clients. The stigma from which these client organizations suffer in this context is especially prominent from the federal government of the United States and is evidenced in its treatment of cannabis enterprises. While the professional accountants themselves may seldom experience transferred stigma from clients of other industries, in cannabis, this is an issue that professionals often contend with. Among the themes that emerged from our dataset were first order constructs that suggested that one's values position, that is, their perspectives on cannabis as informed by one's morality and surrounding community

influence, served most often as an enabler of one's entry into the cannabis field to provide accounting services. Similarly, professional accountants alluded to an ability to overcome any reluctance towards entry into cannabis through a process of rationalization composed of a series of distinguishable mechanisms; these are 1) seeing the upside of cannabis, 2) recognizing professional privilege, 3) recognizing economic potential, and 4) anticipating de-stigmatization and normalization. Upon entry, professional accountants then attempt to mitigate or reduce the prospect of experiencing transferred stigma from their clients by employing a number of tactics. Nonetheless, professional accountants seem to experience transferred stigma all the same in that they face impediments to their own securing of critical business services. Finally, our evidence suggests that in addition to attempting to self-shield from stigma transfer, professional accountants servicing cannabis firms must still contend the consequences of their clients' stigma through developing industry expertise and in expanding their professional roles to envelope more tasks to properly service their client organizations. Our data suggests that these themes and constructs, as derived from the cannabis context, are quite distinct from other industry settings in which our respondents have operated. We explore these constructs with further samples from the data in the sections that follow.

### ***Values position prior to entry***

In our efforts to collect data, we attempted to account for how professional accountants themselves evaluated cannabis prior to entry into the industry and how their perceptions of the product, its users, and the overall culture surrounding it may have changed over time. We found a few salient themes to suggest that, overall, the professionals that indeed found themselves servicing cannabis clients (i.e. our respondents) tended towards one side of the morality spectrum in that they were at least morally indifferent – or at most slightly ambivalent towards cannabis – or viewed it favorably. Here we explore the dual notions of *moral congruence* or *indifference* as expressed as an individual's moral stance towards cannabis and how that stance interacts with a *community influence* in the context in which one is either brought up or installed

professionally. These two factors seemed to contribute to an overall open values position towards cannabis and its participants (i.e. producers and consumers) formed by respondents prior to becoming involved themselves.

*Moral congruence with (or indifference towards) cannabis.* Again, the professional accountants in our sample mostly (14) expressed little to no moral qualms with cannabis prior to entry into the ‘legalized’ industry. A few may be said to have had strongly favorable views towards cannabis (5) in that they were users themselves, participants in the underground market and/or sub-culture prior to state-level legalization, and/or have advocated publicly on behalf of the industry after state legalization efforts began to unfold.

[Insert Figure 1 about here]

Regarding the latter, several professional accountants alluded to their moral positions on cannabis through strongly worded statements against the status quo of the last several decades. Citing the War on Drugs and its negative social consequences, these professionals tended to paint a legal and regulated cannabis industry in a distinctly positive light when compared to the consequences of nation-wide prohibition. The following series of quotes are those of Jeremy who has over a decade of tenure in the industry.

Because there are people who are prohibitionists...you know they’re good people. They’re maybe just misinformed; they don’t really understand. And I’ll say to them, “okay, and your solution is to put everybody back in jail?”. And everybody voted against that. We don’t want to do that anymore. So, if we’re not going to put people in jail for growing and consuming cannabis, what is the middle of the road regulatory model that does protect social downside?

So it’s a lot of racism, a lot of misinformation making marijuana illegal. They thought black people would get high and rape white women. They thought the same things of the Mexicans who enjoyed marijuana. But they made hemp illegal at the same time. Now I don’t know how true it is, but a lot of people say that was like William Randalf Herbst, and the people who had Big-forest, [who] did not want paper made out of hemp, which is a lot cheaper and a lot less of an environmental impact on the national forests. But who knows. Who knows...

These statements reflect strong opposition particularly to the federal government, the principal stigmatizing audience of consequence in this context, and its historic efforts to heavily

prosecute cannabis activities. The individual who made these statements is a fairly renowned advocate for the industry and pushes for policy changes on a number of fronts including via participation in industry association lobbying of the United States Congress and even hosting a podcast series whose title is recognized by a fanbase of the Grateful Dead, a 1960s counter-culture band founded in San Francisco. This strong moral favorability of cannabis represented perhaps one extreme end of our sample's morality spectrum, but nonetheless is indicative of the values position of several professional accountants that found themselves servicing cannabis organizations post-legalization in several states.

Moral indifference towards cannabis was perhaps more salient among this first-order theme informing the overall values position of professional accountants prior to taking on cannabis clients. These respondents tended to view cannabis as an opportunity and didn't hold any strong views for or against the product, its producers, or consumers. The following quote from Stephanie alludes to her decision to enter cannabis as being based 'rationally' on economics rather than on moral grounds.

I mean I'm not a user. I mean I literally got into the industry because I saw it as a money making opportunity. I have no problem with people that use it, my husband does... Um, but it was just not something that I ever got into. But I have not you know, I don't have any problems with it you know from, you know, a social standpoint or from a business standpoint.

Echoing this moral stance, or relative lack thereof, is Cathy whose cultural profile is what would arguably be counter to that of the stereotypical cannabis participant, such as that of Jeremy cited above.

I wasn't reluctant to get in. It's really interesting because I am a Christian. I'm very conservative. Everybody thinks that if you're in marijuana then you're one of these, you know, liberal democrats and they assume that that's what your leanings are. And I'm not.

Again, few of our respondents expressed notable ambivalence or any discernable opposition towards cannabis at any stage of their life prior to and leading up to the decision to provide services to the industry once it was legalized in their respective states. The moral

standpoint of professional accountants, before taking into account how their respective communities seemed to shape their values, seemed overall permissive to creating working relationships with core-stigmatized organizations. Where moral ambivalence may have been present, respondents' morality was arguably malleable enough to enable them to resolve that ambivalence and get involved. We'll explore this transition in subsequent subsections.

*Community influence on views.* In tandem with individual morality, professional accountants spoke to the community in which they were engaged prior to involvement in cannabis, whether that be in reference to their upbringing or their professional environment, that had an impact on their overall values position towards cannabis prior to entry.

The following statement is from Ignacio based in Florida and who services cannabis firms in Colorado and California. Here he exemplifies the sentiment that community helps shape the stigma evaluations that individuals may or may not perform towards others. Noteworthy is the explanation of how generational differences may also play a role in whether cannabis participants are stigmatized in this context:

I think it's mostly because of the people I associate with. [...] The people I've surrounded myself with in life are not the types of people – I don't want to say that they're wild and crazy people, that they're head-bangers and druggies and stuff like that – so the people that I have accumulated as friends and associates over the years are just not the type of people that feel that there's anything wrong with [cannabis]. In reality, I'm a gen-Xer. And most of my friends are gen-Xers, and millennials, and probably even younger. And the younger you go, the least drug resistance you're going to find. Because when you grew up, except for the millennials, I grew up with a lot more TV that was anti-drug. But my group was probably the one that got the fiercest of the anti-drug campaign. But we also all knew people who smoked weed. And, you know, at my high school, the class valedictorian was like the biggest pothead in the school! So, it was, in our minds, overblown. So again, I feel I did not face any stigma because the people I've associated with are not the type that – I wouldn't say they were jumping up and down for drugs, but they weren't jumping up and down against drugs either.

Ignacio is referring here to his upbringing and his lack of experiencing stigma in the personal sphere. We'll see in subsequent sections, however, that this accountant has experienced stigma professionally as directly linked with his involvement in the cannabis industry.

The professional community in which one was previously installed was a contributing factor to how cannabis was viewed for some and was suggested to have been contributing to an initial reluctance to enter the cannabis field. Sally alluded to her experiences in what she described as a more ‘conservative’ Silicon Valley:

Well, coming from straight-laced, you know, Silicon Valley, my views were totally different. And, and for me, for myself, there was a stigma, you know. It was like eh, “the plant to get high!” Umm, and I have an interesting, kind of related example. I had a business partner and I wanted to get a tattoo on my hands. And she said, “No, that would not be professional”. And so, I’m like, “What are you talking about? This wouldn’t be professional?”, I mean, you know, this is whatever year it was, umm you know, we’re evolving. And she said, “No!” So then, you know, a few years later, here I am. I have a tattoo on my wrist. And it actually has been a point of conversation when I go to meet clients. Like, “let’s see your tattoo!” You know, and I kind of equate that with the marijuana, right? Its users were so taboo. And you know they’ve kind of, they kind of go hand in hand with cannabis.

Here the respondent cites an example of breaking through that reluctance due to the stigma assigned to certain objects or practices analogous to their experience of entering cannabis. One’s disgust or stigmatization towards something is an interesting conversation starter for another. And while this quote exemplifies their ability to resolve their own hesitation towards cannabis, the data we think emphasizes the community impact as part and parcel to one’s values position as an enabler (or potentially an inhibitor) of involvement in an industry such as cannabis.

Individual values positioning prior to entering the cannabis field was a construct that seemed to emerge on a dual basis of being morally open towards cannabis and being the product of more broadly held community views. Understanding the values positions held by professional accountants prior to entry facilitates an understanding of the existence and extent of any reluctance to get into cannabis when the opportunity would arise. Similarly, and especially for those who were perhaps more reluctant to service cannabis initially, such value profiles likely point to certain factors that enable one’s overcoming of reluctance and rationalizing entry into the field.

### *Overcoming reluctance to rationalize entry*

Salient in the data were a number of concepts that together allude to a subprocess of overcoming reluctance to rationalize entry into the cannabis field. The stigma associated with cannabis firms of all verticals (i.e. growing, processing, distribution, retail) is manifested in its federal illegality and by the intense scrutiny applied by federal authorities. For professional accountants, servicing cannabis firms means weighing the legal, professional, and broader stigmatization risks of being categorized as aiding and abetting an illicit drug trade. We discuss the first-order concepts that constitute this process of rationalization in overcoming initial reluctance below.

*Reluctance to get involved in industry.* The process of entering the cannabis field by professional accountants often begins with an initial hesitation, even among those who have a favorable values position towards it. This hesitation, or reluctance, stems from several factors including the avoidance of cannabis expressed by our respondents' professional peers, uncertainty surrounding the possibility of professional sanctioning or legal recourse, among others.

Our respondents alluded to being reluctant to enter cannabis on the basis of being outliers amongst their professional colleagues. They noted that getting involved in cannabis served to isolate them, to some extent, while most in their respective professional communities were adopting a 'wait and see' approach.

So there are times, you know, especially amongst my peers in the accounting profession – because we obviously still have a great deal of push-back from individuals who don't even want to serve the industry – and so there would be times where I would get a little bit of negativity among my peers in that area.

The above is a quote from Emily, an Oklahoma accounting solutions provider. She went to explain that a significant contributor to her community's hesitation lies in the fact that cannabis industry firms face a significantly higher risk of getting audited by the IRS.

So, and this is another area that is kind of interesting and intriguing to me. We have a lot of accounting professionals, like I said, that are really afraid to enter this industry.

Because we're constantly hearing that, you know, "we're facing an audit and we need to be audit-ready" and, you know, things along those lines.

The following statement from Jeremy echoes this notion:

Well like I said, out of our 400 cannabis clients, I would say, about 40 of them have been audited over the last 10 years. So yeah, if you're in the cannabis business, you definitely have a higher likelihood of getting audited than if you're not in the cannabis business. (Jeremy)

Emily, among other respondents, spoke to the 'conservative' nature of the members of the accounting profession. Being placed under the federal government's microscope presents a level of discomfort that, for many in the profession, may be insurmountable.

Others cite reluctance on the basis of the security of their professional credentials which, upon clarification from professional accounting institutions (i.e. associations), may provide some relief in that regard. For those operating out of cannabis-legal states, understanding that cannabis remained illegal at the federal level led them to seek guidance from national associative bodies such as the American Institute of Certified Public Accountants (AICPA). The following quote from Cathy illustrates her keeping abreast of the AICPA's stance once it became legal in her state:

I'm not a member of the AICPA[...] I'm not a member but I do follow a lot of their blogs and stuff. And they have never, even when it was first legalized, when it was first legalized there were blogs on whether or not you could work with them as a professional and it came within probably 2-3 months, of it being legalized, they came down that as long as it's legal in your state [you could provide services].

The permissiveness of the AICPA may provide professional accountants with some relief when considering whether or not they want to service the cannabis industry.

Nonetheless, while one may feel relief that their professional credentials are not at risk, this leaves unresolved the legality issue. Though, while in the eyes of the federal government the provision of services to illicit cannabis organizations may be classified as aiding and abetting, whether that actually translates into legal (or professional) consequences is another matter. Professional accountants considering partnering with cannabis organizations also seek to understand the risks of legal recourse for their involvement in the industry. This assessment

of the risks was often expressed in terms of seeking guidance from professional peers both within and outside the accounting profession. The subsequent excerpt reflects this sentiment with Jeremy who was initially reluctant to continue servicing existing clients who were expanding into cannabis after medical legalization.

So, my phone started to ring with my own clients, my long-time clients, that they wanted to get into this industry, where people wanted to rent their warehouse to grow marijuana. You know, “what was my observation”. So, I did due diligence for my clients. But I also did due diligence for myself which included a trip to California where I met some great CPAs and lawyers who encouraged me to get into the business. They said, “[Name], the IRS wants you to help these people. And you’re not going to be sanctioned for doing this.” So, I came back from that trip, November of 2009, and I told the marijuana attorneys here in Denver, I said “Alright, I’ll do it. I’ll sign their tax returns.” I was one of a handful.

The resolution of reluctance to involve oneself in the cannabis industry, as suggested in the latter half of the above quote, brings us to a series of emergent concepts that better clarify how the professional accountants were able to overcome hesitations and justify their eventual involvement in the cannabis field.

*Seeing the upside of cannabis.* Doubts about whether to enter cannabis are partially resolved through coming to see the industry in a more favorable light. The professional accountants interviewed for this study spoke to how their personal views on cannabis and its products evolved towards favorability (and even advocacy in some cases) on the basis of, for instance, its medical uses and its relatively less harmful societal impacts relative to other industries (Lashley & Pollock, 2019). Similarly, they emphasized that a legal and regulated marketplace for cannabis has shown substantial net gains for society versus the harmful impacts of the status quo; that is, the federal campaign against drugs:

And then coming here [to Colorado], you know, just coming here, totally changed my point of view on it. And then over the years, you know, I've discovered all the medical benefits, you know. There's CBD now and it's a whole new world. It's not just some plants that you're going to smoke to get high, you know. It's not that anymore. And so, I have a new respect for the plant, for sure. (Sally)

Learning of the medical uses of cannabis and even CBD help professionals become more sympathetic to the industry and its products and participants. This is especially the case when juxtaposing cannabis with other ‘vice’ industries such as alcohol and tobacco which likely cannot make similar claims to improving health outcomes. The next statement was shared by Edna, partner of a mid-sized firm in Oklahoma, regarding how their initial concerns for the effects of transferred stigma on their firm’s brand was partially laid to rest on the basis of cannabis being a natural medicine.

That was one of the areas where, where we were afraid that that there would be some branding risk to our [Name] brand. But as time has gone by, that is less and less. [...] Surprisingly, the stigma is not as negative. Because we only have medical marijuana legalized here in Oklahoma. A lot of it has gone to more of that understanding of holistic type medicine. Not enough that that’s why everybody has a card, a medical marijuana card here. But it has, the negative stigma has definitely been less than what we thought it might be. Just because of the mentality of that, of that more natural medicine. That’s kind of a bigger thing here.

Several respondents simply emphasized what they saw were the tangible societal benefits of having a cannabis industry operate in broad daylight and pay taxes like other ‘legitimate’ enterprises. The following quote from Shad illustrates an environment in which the police are not having to penalize and incarcerate people for non-violent offenses; all the while, the community is able to thrive in relative harmony:

But like I said, there’s no question that it’s had a serious impact. Look, I’m from L.A. I used to get chicken-shit tickets written for me all the time. I mean, you can’t jay-walk anywhere or anything. Not that I’m trying to break the law, but parking tickets: rampant. You go to Denver, downtown Denver, man, the cops, uh uh! You can tell that they’re good. They’re getting their funding. They don’t need to go nickel and dime people. I mean, when you think about kind of the indirect impact that it has on people’s lives, I’m just so convinced that it has made, it’s made the environment so much better and happier place for police and people alike. And I really don’t think there are a whole lot of negative impacts outside of like they have a 420 festival in like Civic Center Park every year. Then you see like a billion Pringle and Mountain Dew cans strung everywhere after the Snoop Dogg concert. [laughter] But, I mean, outside of that, I definitely think it’s doing way more good than any harm.

The themes that constitute this first-order construct point to a rational assessment of cannabis that contradicts the discourse of prohibition perpetuated by the federal government

over the last several decades. These professionals referenced a number of factors that suggest that the legalization programs implemented in the states in which they operate have netted benefits for individuals seeking alternative treatments for ailments and, not to mention, for their communities at large through collective resources generated through the taxation of an industry that would otherwise exist in the shadows.

*Recognizing professional privilege.* Much of the justification for accepting cannabis clients was derived from the recognition of the privilege that comes with being a professional accountant. This was especially the case with licensed certified public accountants (CPAs) who often referenced both a muted AICPA when it came to cannabis guidance and ethics rulings and state-level associative bodies who would publish clearer stances with regard to the ethical implications of servicing illicit cannabis companies. Beyond professional institutions being overall permissive of their members involvement in the cannabis industry, other themes emerged from the data that would suggest a recognition of and exercising of privilege when it comes to having a sense of immunity from professional sanctioning, autonomy over work and even, to some extent, the selection and control of clientele<sup>3</sup> (Portwood & Fielding, 1981).

Regarding professional institutions, the AICPA, for instance, has mostly been silent when it comes to guidance on cannabis. Nonetheless, respondent CPAs often cited the professional code of ethics set forth by the AICPA and understood its language to mean that professional involvement was necessary and in the interest of the broader public, even (and especially) in industries such as cannabis. This is reflected in the following quote from Jeremy:

But, the AICPA's own ethical guidelines say our duties as public accountants is to the public. And the public includes businesses, law makers, governments, not-for-profit organizations, a wide variety – and the general public, of course. So, we have a wide variety of constituencies as CPAs. And government is one of our constituencies. And that same section in the very next paragraph goes on to say [that] there will be conflicts between federal and state law and that our job as CPAs is to help resolve the conflicts

---

<sup>3</sup> This will be discussed in a separate section pertaining to the first-order construct of *Exercising control over clientele*.

between members of our public. [...] Yes. Just as I said, it's going to be us who helps figure all this out.

At the national level, these professional CPAs feel that their work in cannabis does not conflict with the broader code of ethics of the profession.

While it is important for professional accountants to understand the stance of the AICPA before deciding to undertake clients in a federally illicit industry, they look also to the state-level institutions which, as far as they are concerned, actually hold more weight with regards to preserving their professional livelihoods. State accounting associations, in the United States, are those that issue CPA licenses to professional members; not the AICPA. Therefore, CPAs seek to confirm with state-level institutions whether their licenses are under threat of being rescinded prior to entry:

I know my state allows me to provide services in it. So, I'm not too concerned with it and there aren't too many states... I mean, I have some where I have done research on like the states that gave their, you know, basically said if it's state-legal, you can provide services. But knowing that it was legal in my state, I wasn't really concerned with other states.. I mean, and nothing I'm doing is illegal. I mean, I'm not touching product or do anything, you know. I'm just providing accounting services to them. And in New Jersey it's okay to do that. (Stephanie)

The above quote reflects a broader sentiment among those interviewed for this study in that there is an overall dismissiveness of the prospect of being sanctioned for 'aiding and abetting' an illicit drug trade, in part because of the cover provided by state-level associative bodies. Several accountants (CPAs and non-CPAs) argued the desire on the part of the IRS to have cannabis organizations working with professionals in order to have auditable books and to ensure the proper filing of taxes:

I think that if anything were to ever happen and a license was ever pulled or a CPA was ever reprimanded, I think that they would have a very strong case. Surely, because the IRS standpoint is that they really, the IRS really does want them working with some type of accounting professional. Because the average individual doesn't know if they can go in and pull their own financials. But the rest of it is more intense for them. So, you know, the IRS really does want them with somebody. Somebody who, you know, to report things and be obviously transparent. And, you know, having a third-party handle that, rather than somebody from within the organization, I think makes it a little bit more honest. (Emily)

Adam (interview not recorded and transcribed) spoke plainly about the issue of whether the IRS was interested in sanctioning accountants in their conversation with one of the co-authors of this study. He said simply that CPAs “are the ones that do it” (file tax returns) and that they ensure that everyone in society is paying their fair share of taxes so that society benefits. Adam made references to a colleague of his who files the taxes of an illicit sex-worker who, according to him, understood that while the government may be able to charge her with crimes, she at least wasn’t going to be arrested and charged on tax evasion – as was the notorious Al Capone. The IRS’s job is to ensure taxes are paid, regardless of the source, and CPAs assist in that endeavor. They are thus, in a sense, ‘untouchable’.

*Recognizing the economic potential.* A sizeable portion of our study’s participants expressed part, or even most, of their rationale for servicing cannabis firms in purely economic terms. Tim and John (interview not recorded and transcribed), the former being the founder and partner of an accounting firm based in the Denver metropolitan area, noted that the decision to enter the cannabis business was made on the basis of the following question: “Is it going anywhere?” In other words, would the industry disappear in a few years’ time? The answer to them seemed a resounding “no”, and the owner thus decided “we gotta jump in, it’s not going anywhere”. They referred to it as a “multi-billion-dollar industry that we can’t ignore” and their assumption was that it was only a matter of time (“perhaps one year”) before marijuana would be removed from IRC 280E language. At the time of the decision to enter, other CPAs were “sitting on the sidelines”, being very conservative towards it and awaiting legal certainty, that is, for the law to change to legalize cannabis nationally. When the first CPAs did enter the industry, they saw it as a “cash-cow” and charged exorbitant fees. The professionals at this accounting firm saw that as unfair and their approach was to charge their clients reasonably under the assumption that they could “grow with them”, that is, grow with their clients and charge a fee that was proportionate to that growth. The following quote, from the “DOPE CFO”

podcast that showcases the experiences of accountants working in cannabis, echoes this notion. “What I love about this industry: the normal ‘mom & pop’ dispensaries or farm, they’re 7-figure companies generally. And that means they can pay decent fees.”

Don, who specializes in cannabis business valuations, was very optimistic about the economic potential of cannabis both currently and after national legalization would take place which he was anticipating in the next few years. He even sarcastically referred to national cannabis legalization as an “Accountant’s Full Employment Act”.

Even if, you know, something gets to the Senate floor and they pass something, it's, it will probably be effective you know two or three years out and it's just going to be a, pardon my French, but a ‘cluster-fuck’ of, you know, evolution for valuation. Probably lots of acquisitions, lots of mergers and things, you know, that are great for someone that does valuation. Lots of consulting opportunities. [...] But we also see that the feds might require, well if you're going to operate a cannabis [business], wherever, Colorado, Illinois... you got to have a federal license too. So, there'd be a whole bunch of, you know, federal regulations and, you know, probably gum up the works and, you know, be part of the “Accountants’ Full Employment Act”.

For many accountants, the industry represented an economic opportunity with enormous potential; and this was an important catalyst for getting involved. Especially for professionals working as sole-proprietors or for small and medium sized firms, as all the respondents of this study do, the absence of large accounting firms in this space has left an opening for them to enter and earn large returns. Currently, and given the patchwork of stand-alone state cannabis markets throughout the U.S., most cannabis operations are indeed small and medium sized enterprises perhaps more compatible with the size of the professional service providers of this study. Nonetheless, these cannabis firms often do generate large revenues and the multitude of operations emerging in a growing number of states point to abundant opportunities for smaller professional service providers.

*Anticipating de-stigmatization and normalization.* Another theme with substantial overlap with the recognition of economic potential was that of an imagined future for cannabis in which it was no longer harshly stigmatized, was legalized, and was legitimately recognized.

This anticipated, idealistic state of the cannabis industry led many of our respondents to believe that 1) any risk of stigmatization and its consequences would be temporary while 2) their current involvement in cannabis would well position them to take advantage of future economic returns *when* it becomes nationally legal.

The anticipation of national legalization is derived in part from what has been seen as a softening of the federal government's prosecution of the War on Drugs as public sentiment shifts and more states legalize. The advent of the Cole memos under the Obama administration was perhaps one of the first signs that the federal government would evolve towards legalization. While the federal government's signaling since the Cole memos has been mixed, respondents often pointed to the relative support for the industry of the two most recent U.S. presidents. Responses from professional accountants taken during both Trump and Biden administrations expressed confidence in national legalization taking place before the end of each presidency.

I think it's going to continue to evolve for sure. I think before Biden's out of office, it'll be legalized at the federal level. But we need a lot of lobbyists to, you know, do that. I'm not a lobbyist or an activist by any means, but I see it just continuing to evolve and scientific advancements happening. Umm, because they're happening every day. And so it's kind of a...it's a neat industry to be in because you can see this, the whole, you know, not just the United States. I mean, that's what I look at our level, but the whole world can benefit from this, from cannabis. [...] It's a, I think it's a great thing. (Sally)

Trump says that if it hits his desk that he will sign it, you know. But legalization I think is going to come with a double-edged sword. (Emily)

The latter quote points to a further development of thought with regards to an anticipated future state of the American cannabis industry. Many of our respondents were already posturing for what they believe will be a takeover of federal oversight on the part of the Food and Drug Administration (FDA) under the Department of Agriculture.

Well, these guys will exchange the issue with the IRS with the FDA. You know, because obviously once it's de-scheduled, it'll get handed over to the FDA. And the DEA might be a little involved, but it's going to get handed over to the FDA to regulate. And I'm not a fan of the FDA. (Emily)

This is, you know, an industry that's very highly regulated. I call it all the time the most, it will be the most highly regulated industry in the United States because of that combination of agriculture and pharmaceutical impact and all these other aspects. (Alex)

These reflections by professional accountants were further reinforced with an assessment from Justin, the Chief Commercial Officer of a Canadian-based cannabis grow operation that has expansion plans into the U.S. Below he makes a comparison of cannabis with the nicotine vaping industry:

So we have a lot of players in the vape side, early medium sized players, that are making a lot of money and they're the ones that have the capital to get through this process to submit these applications. I see the exact same thing happening in the cannabis world. A lot of these smaller players that are making a lot of money selling their product, and dispensary's or in the medicinal market. And you're going to start to see either federal government or the FDA come in and regulate and start putting requirements on them to actually prove how safe their product is. And there's only going to be a few that are going to be able to afford that. And if people take lessons learned from the vaping industry, they should know that when they start making that money, they really need to start putting that money aside and be ready for the regulations that are coming so that they can be able to get to the other side and have a product in the market.

Respondents also spoke to what they already see as a de-stigmatization of the industry from the perspective of professional service providers. The following quote by Sean points to this process in referring to public-facing business websites and whether and how they advertise their services to the cannabis industry. Where at first there was reluctance to make that information public, Sean sees a shift underway in which professional service firms more explicitly market their offering to prospective cannabis clients.

Yeah I think now there is, now there's really smaller firms doing it. But in the last, and this is all within the last really six months, both law firms as legal advisors and CPA firms all are pretty much advertising they do cannabis services now. So, six months ago you wouldn't have found that, or if they had a guy doing it, they'd be kind of not on the website or maybe buried. But they actually have, I see a lot of like law firms actually, have a tab that's like "litigation, real estate, cannabis", you know. So yeah. And that's, again, with the stigma going away and they're becoming a more legitimate enterprise [...].

Given the relative softening of the federal government's prohibition efforts and the momentum behind cannabis both in terms of broader public sentiment and the growing list of states bringing legal cannabis markets online, professional accountants see the tides shifting in

this field and are further emboldened to involve themselves professionally. Doing so sooner rather than later may also well position them with the experience and expertise needed to take advantage of future opportunities in a larger, national marketplace.

*Summary of overcoming reluctance to rationalize entry.* What we've attempted to illustrate in this section was a sub-process of justifying entry into a core-stigmatized industry to provide crucial professional services on the part of (initially reluctant) accountants. The principal factors involved varying combinations of 1) seeing the upside of the field that served to paint a brighter picture of cannabis (i.e. relative to other industries); 2) a recognition of professional privilege through research and peer guidance, and re-evaluation of professional ethics and codes of conduct with reference to the stances of professional associative bodies; 3) recognizing a largely un-tapped economic opportunity; and 4) anticipating a favorable future state of a cannabis industry in which it is largely no longer stigmatized and indeed treated legitimately. In short, these aspects of rationalization served to enable professionals to see past the stigma attached to cannabis firms and facilitate their entry into commercial partnerships with them.

### ***Reducing chances of stigma transfer***

While convinced the mere act of providing services to cannabis firms itself was unlikely to bring legal or professional sanctioning, professional accountants expressed having to take extraordinary measures to elude stigma associated with the work they were performing for cannabis clients; in short, they alluded to how they were addressing the prospect of having stigma transfer to them from their clients. Because the stigmatization of cannabis by the federal government translates into increased scrutiny and, potentially, repercussions, measures to mitigate stigma transfer were salient in our data.

*Managing professional liabilities.* Having cannabis clients has meant having to focus on and manage professional liabilities. Professional accountants recognize the extraordinary scrutiny that cannabis is under via the federal government relative to other industries, as

evidenced in its considerably high rate of IRS audits. They thus stressed their adherence to ethics and diligence in practice, particularly when it came to filing tax returns on behalf of their clients. The following clearly exemplifies this sentiment:

And then there are also risks where, I think any sort of professional liability risk in that these people are operating in an industry that the federal government already doesn't love and if you're helping, I mean, assisting anybody kind of get around the laws or circumvent the code, or just not being really diligent in our efforts to follow the letter of the law, I think you're going to really [be] opening yourself up to some serious exposure, so. And that's come to roost a little bit, now that all these court cases are coming up regarding 280E where people are challenging it. It used to be kind of this grey area, "hey, nobody really knows which way this thing is gonna go." Now that the IRS has won so many of these things, if somebody comes to us and says "hey, we don't want to follow 280E", we have to take a hard long look at that and potentially put in like 'hold harmless' or indemnification clauses if "hey, if you're doing this, this is your position, we don't agree with it". We're going to file all the necessary tax paperwork with the tax return saying that the company is taking a position contrary to what an IRC basically lays out in plain English. So, the more the industry kind of trends in that direction, the more careful we have to be from a professional liability standpoint. (Shad)

Performing extensive due diligence where, as according to Chris, "there is no wiggle room", is paramount to guarding one's reputation as a tax preparer.

Several of the respondents of this study alluded to having many of their clients come from what was previously the black market of cannabis. Post- state legalization, these individuals, with little to no formal business education, were attempting to adapt to a highly regulated environment in which systematic documentation of accounting activities was paramount. The professional accountants engaged in commercial relationships with these former black-market operators suggested they faced significant challenges in bringing their clients into compliance. Sean, who provides services for clients in Michigan and Illinois (relatively recent legalized markets), shared his attitude toward IRS tax compliance with regards to cannabis clients:

It's maintaining immaculate records, not taking on positions where, you know, not taking any positions that's a violation of the law. Really it isn't any different from anything else. It just is that the cannabis area has a different issue which is under current federal laws there is, because you're dealing in what's a federally illegal substance, you can't deduct anything other than the actual cost of the product. But just like any other

law you may agree with or don't agree with is, you know, that's what the law is. And don't, you know, don't deduct stuff. Make sure you put all your income and don't deduct stuff that's illegal to deduct. So.. and maintain outstanding records of that.

Monitoring their clients' compliance with applicable law helps to ensure that, if and when an audit is triggered, for instance, cannabis organizations don't appear to be behaving in a way that resembles skirting the laws and attempting to evade taxes, as may have been characteristic of black-market operators prior to legalization.

Management of professional liabilities through either rigorous due diligence or the use of formal liability waivers serves as a means of reducing or preventing stigma transfer. Rigorous due diligence performed by accountants to ensure compliance with tax code serves to prepare both professional and client to endure the scrutiny that may come in the form of an IRS tax audit. Similarly, a formal waiver of liability is a tool to separate the professional accountant from clients who may have violated tax law in taking a position contrary to their professional advice. These measures are meant to shield the reputation of accountants where intensified scrutiny as a result of stigmatization seeks to identify and punish deviance.

*Exercising control over clientele.* Closely related to the concept of managing professional liabilities is that of exercising control over clientele. Cannabis industry participants, those who grow, distribute, or sell cannabis products, often transition from the black market into newly legalized state markets. However, due to the practices of the past involving an evasion of all laws and taxes, transition towards compliance with a plethora of strictly enforced regulations at all levels of government is one full of obstacles and challenges. Professional accountants accompanying cannabis participants in this transition have expressed a need to exercise control over their clientele so as to protect themselves from the effects of the stigma that their clients experience. By 'control', we here refer to the ability of accountants to both choose who their clients are and to influence their accounting practices to meet the standards set by these professionals.

Given the intense scrutiny by such audiences as the federal government, and strict regulatory regime set by state-level agencies, professional accountants have to exercise a heightened level of caution when taking on and working with cannabis clients. The following alludes to the depiction of cannabis clients typically expressed by our respondents.

Because back in 2009-2010, everyone in the cannabis business, the legal cannabis business, came from the black market. And that's still true to a large extent today. Just like we were talking about in California. So, um, you have to get used to dealing with people who don't have normal business skills. They never paid taxes. "What's a tax return?". You know, so there's a lot of educational process. (Jeremy)

There's cannabis industry folks who are trying to be business people. And those are very difficult to deal with because they don't know what they don't know in terms of like basic business fundamentals. They don't understand that they have to pay tax. They don't understand that, "what do you mean we can't get a bank account?". You know, and stuff like that. (Alex)

Given the typical profile of cannabis organizations, the participants of this study expressed a need to stringently evaluate potential clients prior to entering into business relationships with them. For instance, Tim and John specifically noted not taking on clients that were "owners/user", that is, cannabis firm owners who were also cannabis consumers. Several other respondents, while perhaps less concerned with the consumption habits of their potential clients, did indicate as well that they undertake robust vetting processes to ensure that any clients with whom they would begin a commercial relationship would play by the rules and be transparent with their documentation and practices.

Common in the data as well was the dismissal of clients, or otherwise ending business relationships, for not adhering to regulations and putting the accountants at risk of compromising their ethics and bringing unnecessary scrutiny from governing authorities. The following vignette from Emily illustrate this.

[Referring to why she 'fired' a client] And here's why: because when you're involved with the compliance you know what is going on with your client, fully. If a client is not compliant at the state level, chances are that you're never going to get them to want to even be compliant at the federal level. And nine times out of ten, you're not even going to be able to work with them at that level of ethics that you need because a lot of them

still have the mindset of, you know, coming from the black market. That's what I saw with that one client.

As a final measure, abruptly ending business relationships with cannabis clients is one that aids professional accountants in avoiding undue scrutiny from powerful stigmatizing audiences such as the IRS – one the very things that kept some of their professional peers out of the industry in the first place.

As previously suggested, maintaining business relationships with cannabis clients implies compelling them to conform to regulations and to not 'cut corners', especially when it comes to IRC 280E. Professional accountants often have found the need to be stern with clients about the seriousness of the consequences of being non-compliant, both to protect the clients and themselves from potential legal retribution. 'Straight-talk' with cannabis clients was noted as a means to keep them from overstepping legal and ethical boundaries.

You know, at the end of the day, here we have - and some of my colleagues do this too – they use scare tactics when they're talking to these owners. And I understand why. However, I don't always agree with it. I can be very blunt and straight to the point, but I'm always going to end the conversation with "Listen. Yeah, it's the dark side of the industry, but you know, if it was that dark, there wouldn't be owners in California that've been open for years and years and years". (Emily)

Here Emily emphasizes the need to educate cannabis clients about the requirements of running a legitimate business. Part of her delivery is not to discourage but rather to emphasize that the upside to conducting a compliant business, difficult as it may be, is the potential future returns. Tactics such as these have a preventative motive; that is, to avoid having to take the more drastic measure of firing clients.

Servicing a new industry that is 'transitioning' from what has historically been a black-market suffering from severe stigmatization presents unique challenges that professional accountants seldom encounter with their clients in other industries (if at all). Exercising selection of and control over clientele in their enactment of accounting practices seems to be of significant concern to those professionals that have made the decision to service cannabis.

Doing so at least enables them to be ready to address the scrutiny that may come about, for instance, in the case of an IRS audit or otherwise having to respond to governing authorities.

*Being discrete about cannabis activities.* While being prepared to face scrutiny is one measure of mitigating the prospect of transferred stigma, another is to avoid the scrutiny altogether.

For several of our respondents, being discrete about their activities in cannabis involved avoiding direct marketing to cannabis businesses through, for instance, publicly available information on the web. While all of the professionals we reached out to for interviews were found on a third-party cannabis industry directory, many did not publish any information related to cannabis on their own websites – and interestingly, many of these same accountants either were non-responsive or declined to be interviewed for this study. Emily spoke of her reluctance to market her services and to speak about her clientele:

I don't really go out and [market myself]. I don't run any advertising in chasing cannabis clients. So, you know, I don't really advertise. When people ask me what I do for work. I say I'm an accountant. You know, nine times out of ten, they don't really ask much further than that. I really don't offer them much information.

Similarly, professional accountants spoke to attempting to isolate their cannabis clients from those of other industries to avoid offending or otherwise damaging their relationships with non-cannabis clients. Sally shared the following anecdotes with regards to trying to keep two non-cannabis clients in the dark:

Well, I did have a rehab client. So.. and that was when I was first getting into cannabis. And I had to hide it from him. I believe he was a recovering addict. And so that was a big issue. I had to make sure that... I had two separate companies. And I had to make sure I was sending from the right email to him and not making any mistakes when it came to corresponding with him or sending him letters or anything. Because I didn't want him to know, because I thought it would make for a very uncomfortable situation.

I do have another one in California, who it took me a little bit to tell him because he's more conservative. But, my sister happens to work for him. And so, she kind of softened him up a little bit. And then I told him and now he's like, "Okay, whatever! As long as you're making money!".

Another example of this includes that shared by Jacob (interview not recorded and transcribed) who suggested a similar discomfort with having non-cannabis clients learn of his involvement in the federally illicit trade. In fact, he noted three separate instances in which non-cannabis clients “got pissed” after finding out their accounting services provider, Jacob, had commercial relationships with cannabis firms. One of these was a “broker” who he had to fire due to the submission of an Securities and Exchange Commission (SEC) letter by the former client claiming Jacob hadn’t disclosed his cannabis dealings and that the firm’s “judgment had been affected by their cannabis clients”. Avoiding these awkward and tense exchanges with non-cannabis clients was a recurring theme in the data and prompted respondents to attempt to keep their cannabis clients siloed off from the others.

Salient within this broader theme of being discrete with regards to cannabis involvement was the separation of business entities by professional accountants to legally segregate their cannabis revenues from those of other industries. Even as ancillary service providers with no direct involvement in federally illicit cannabis activity, accountants have suffered consequences for deriving revenues from cannabis firms. These consequences have ranged from having bank accounts closed to losing accounting software providers. In response to this, accountants have found this ‘work-around’ solution, that is, in setting up separate business entities which may serve to protect their other sources of revenue in the case of disruption to their cannabis business activities. As justified by Sally, “When I set up [Cannabis Accounting firm], I was advised by somebody to, for legal purposes, to separate it just in case something happened where the IRS or somebody was going to shut me down, so that my other non-cannabis clients wouldn’t be affected.”

Several accountants spoke to their having to learn to be more discrete after losing business services that they themselves rely on to provide assistance to their cannabis clients. For instance, Sally said this about her book-keeping software:

QuickBooks has black-flagged me as a cannabis person, or whatever. I don't know what they call it. And I cannot do any kind of, I can't receive money through like, if I send an invoice out and they want to pay it right there. They can't just send the money. I can't do that. No merchant services. And I can't do payroll. So, because I have been flagged. A lot of cannabis companies get flagged for that and they actually get their books shut down. [...] That's under [Cannabis Accounting firm name]. I am doing it under my other business names. I had to fight for that. Because I said this is a totally different business, you know. I don't service anybody in the cannabis industry [through this other entity]. But I've also seen a lot of clients get their books shut down, though. They give them 30-day notice. They'll say you can't do it with us.

Sally here has described the need to both separate her cannabis and non-cannabis business operations into separate entities and to the rely on her non-cannabis entity's software subscription to service her cannabis clients. Because Quickbooks, a national book-keeping provider, discovered her cannabis business activities and decided to constrain them, she was forced to find a work around. This has meant conducting her work for cannabis clients under the cover of her other, non-cannabis entity, that with which her software provider has no moral or ethical qualms with.

Comparable to Sally's impediments with book-keeping software providers, others have had issues with banking services. Ignacio said this about his experience with banks as a cannabis accounting firm:

Probably six years ago, there was a bank here in Tampa, I opened up a bank account with them. And the girl who was opening up the account, she and I were just chit-chatting. And I told her that I service cannabis clients. A few days later I get a call from the bank, from their compliance team and they wanted to, you know, "know more". And I told them, you know, "I'm a CPA. And blah blah blah. And I have cannabis clients. I have aviation clients." [...] They were like, "cool, we don't see anything wrong with that." About two months later, I get a text message from the girl who opened up the account. She's like, "I just wanted to give you heads up that you'll be receiving a letter from the bank saying we have to close your account. The board of directors of the bank met and they feel it's too risky to have you as a client." And I felt it was kind of funny, that they had [a meeting]. This is a regional bank. So you can talk about, like, six branches. So yes, I did have an issue with one bank, once about it. And the lesson from that is that I don't tell any banks where my deposits come from. They don't need to know.

Ignacio's solution in this case was merely to refrain from disclosing where his revenue comes from. Withholding information from service providers is another means of evading disruption to operations that may result from transferred stigma.

While we have emphasized here the efforts and tactics employed by professional accountants to mitigate the chances of having stigma transfer to them from their cannabis clients by being discrete about their involvement, the evidence suggests that, to some degree, they already do experience transferred stigma in that they are discriminated against by the providers of services that they themselves depend on for their own operations. Thus, they seem to suffer operational impediments due to their relationships with core-stigmatized actors, even while trying to avoid or reduce transferred stigma.

*Summary of reducing chances of stigma transfer.* As the first-order constructs examined above suggest, professional accountants servicing cannabis organizations employ several measures to protect themselves from what may constitute transferred stigma. These measures largely involve attempting to tightly adhere to good practices and strict interpretations of applicable law as well as attempting to tether the actions and practices of their clients. Measures such as managing liabilities and controlling clientele serve to ensure a certain level of preparedness to address the scrutiny that may come with such things like an IRS audit. Similarly, being discrete about involvement in such stigmatized industries may enable professionals to avoid such scrutiny altogether.

Nonetheless, and in spite of these efforts, the data does suggest that the professional accountants that service cannabis organizations have faced discrimination as a result of transferred stigma. Due to their commercial affiliation with such organizations, professional accountants have themselves lost service providers and have had to adopt alternative solutions.

*Addressing consequences of clients' stigma*

As alluded to earlier, despite efforts to mitigate or reduce the prospect of transferred stigma, professional accountants may still experience it. Similarly, and because their clients in cannabis suffer from core-stigma, as professional service providers they must contend with a number of challenges that come with being engaged in such a field. For instance, the stigmatization of cannabis by the federal government has led to its prohibition, demanding of disproportionate tax revenues from this industry, as well as performing a disproportionate number of audits by the IRS. Layered on top of that, the patchwork of numerous state-level cannabis markets, each with its unique regulatory environments, has compelled professional accountants to develop expertise for what they refer to as a ‘niche’ industry with distinct demands. Similarly, they find that their role as professional service providers often expands, for instance, beyond taxes to provide input on management controls, cost accounting, and compliance overall. As such, being a professional accountant in the cannabis industry means having to amass a certain expertise or depth of knowledge on this specific industry, while at the same time broadening competencies into task areas where they may not otherwise in other contexts.

*Being a 'niche' industry specialist.* The need to self-educate, become acquainted with, and keep up to date on regulations is particularly prominent for accountants with clients in cannabis, especially those with clients in multiple states. As alluded to earlier, each state has its own stand-alone cannabis market and regulatory frameworks. Likewise, and due to the constraints on certain ancillary services (e.g. banking), accountants need to be well acquainted with alternative solutions that are unique to the industry.

In such a new and uncertain field, much of the educational process for many of the professional accountants who enter cannabis consists of community-oriented knowledge sharing. For instance, Cathy referred to a fairly sizeable Facebook group (nearly 1000 members) in which accountants are able to voice practice-specific questions and to which

they'll receive relatively quick responses from other industry professionals and experts. Some of these may be case-specific questions. Others may be regarding the interpretation of certain tax court rulings on 280E allowances.

Similarly, other accountants suggested that they engage in knowledge sharing with other professionals in their geographic proximity. Shad mentioned the following about his practice in Colorado:

I think the meaning [of the firm's logo] is mainly around sustaining a new industry. [...] I mean frankly our clients do share a lot of information and allow us to share information kind of within other people in industry to serve this kind of sustainable process and this sustainable approach to the cannabis industry where it does have a future and it is legitimate. [...] And so, there's definitely knowledge-sharing going on with that. I think as more people get involved in accounting in this industry there will be kind of a community effort to, really, help legitimize it. I mean, share best practices I think, to a certain extent. In this day and age all that stuff, everything is becoming open-source anyway right? I mean, blockchain and all that, it's, I mean, people aren't all like reserved and "hey, this is mine". It's more like a collective effort so we can all be successful and drive the industry forward. (Shad)

Outside of knowledge sharing, much of the expertise seems to be derived from self-research as well as having internal staff dedicated to keeping up to date on industry developments.

And so, we have a variety of sources. The fact that we have, I think we have five CPAs on our team that lends itself to a group of people that like to learn things and investigate things and keep up with what's changing and, and the newest, like the court cases, those are a big deal. One is they find for or against the cannabis company. Because then we can identify those areas in our work papers and in our documents to make sure that we are mitigating those risks as much as we can. (Edna)

There are some really good industry resources. Marijuana Business Daily, which produces a conference every year in the fall, and we're waiting to see whether to go, it's in Vegas in November. We went a couple years ago and there were 35,000 people that attended that trade show, 1800 exhibitors and they produce what is called the Marijuana Fact Book. Ark View does a state of the industry report that they sell every year- that has a lot of kind of economic benchmarking data. So, we subscribe to things like that. But we also just continue to, you know, gather information in the engagements we do that help us to stay current. There's some, it's called "News hub" and we just actually have a trial subscription to this too. (Don)

This development of expertise becomes important in attempting to solve the exceptional problems that clients face to the ongoings of cannabis operations. For instance, because a majority of banks in the U.S. are insured by the Federal Deposit Insurance Corporation (FDIC), a federal entity, they have largely abstained from banking any cannabis firms. This creates enormous operational and security issues for cannabis businesses because they are forced to conduct business with large amounts of cash. Even though some cannabis firms manage to get checking accounts (at great expense), they are at risk of having them closed unexpectedly by fearful banks. The following illustrates a common approach of accountants to the problem of banking for cannabis clients.

And you know banks, it's really interesting because when they shut down your account, they can take up to 6 months to return the funds that were in the account. [...] [laughter] Yeah, so I suggest for most of my clients that they have a minimum of 3 different banks that they have accounts at just in case one of them suddenly decides they're not doing the marijuana industry at all or if they find out what they're in, or whatever. (Cathy)

Coming back to compliance with federal law, namely IRS regulations, accountants have to grapple with what are exorbitant federal income taxes. Referred to by Alex as the "10,000-pound gorilla in the room", IRC 280E has an enormous impact on cannabis firms' bottom line. The following quote from Jeremy exemplifies this:

Clearly the biggest issue facing the legal cannabis industry today. The two issues are basically a lack of access to banking. [...] And lack of deduct-ability of many ordinary and necessary business deductions. But I say, the deductions that are under IRS code section 280E is more problematic than not having banking. You can live without a banking account. You can live with out a checking account. It's very unsafe and very inconvenient, but you can pay your bills in cash. You can pay your payroll in cash. You can pay your taxes to the IRS in cash. But you can't survive, if you're in an over-100% tax bracket. And many of our clients are in an excess of 100% tax brackets. And you say, "how could that be?" Well, say that you have an early-year loss, around easy math, you lost \$200,000 dollars because you're in start-up mode. But, you have \$300,000 of non-deductible expenses. So in the year you had a \$200,000 loss, you actually pay tax on \$100,000 because \$300,000 are non-deductible expenses. And that's how you can be in excess of a 100% tax bracket.

As demonstrated in this rudimentary example, cannabis firms face tough taxation with exceptionally high effective tax rates. Because of this, and to help cannabis clients be

profitable, professional accountants need to both understand the intricacies of the tax policies facing this industry as well as find ways of reducing their impact. This requires an education that goes beyond their formal training.

In order to mitigate the impacts of 280E, accountants have found workable solutions. For instance, those interviewed for this study alluded to advising their clients to clearly separate certain activities (e.g. sales, marketing, and administration) from those touching cannabis that can qualify under costs of goods sold (COGS) in order to maximize business deductions at tax-time.

Well this is where, so this is where you kind of have to have a holding company or something else where you can recognize all your expenses. So you can do that. It's perfectly legal. [...] So, you'll be doing sort of everything else, and have the dispensary be its own non-profit. And have [the management entity] expense it. (Chris)

Today we have over 250 license-holders (cannabis license) as clients. And each one of those license holders has 2-3 other companies, be it a management company or a real-estate holding company, or an intellectual property company, or they're just splitting up their company into different sectors. They might even be selling non-cannabis products like hemp clothing or hats and t-shirts, bongs and pipes. Make a good secondary business. Because one of the biggest things we do for our clients is 280E mitigation. (Jeremy)

These kinds of practices to mitigate the obstacles unique to the cannabis industry are consistent with the findings of other studies (Romi et al., 2021). In an industry where vertical integration is not uncommon, isolating retail activities at the most granular level possible can help lessen the impact of 280E disallowances. Another example of this is to have staff clock into the retail operation only when there are customers present and to complete sales. Once sales are completed, staff may clock out of the retail operation and return to other functions whose labor may be deductible at tax-time (A. M. Romi et al., forthcoming).

The importance of developing expertise through specialization in this niche industry was echoed throughout the data. Professional accountants, through self-research and knowledge sharing, supplemented their formal training as accountants to become acquainted with the complexities of the cannabis industry that result from what is an inconsistent legal and

regulatory environment that is in large part the result of federal prohibition and stigmatization. Becoming proficient in what is a ‘niche’ industry thus better enables professional accountants to address the unique challenges that come about as a consequence of their clients’ stigma.

*Expanding the professional role.* Accountants servicing cannabis organizations have alluded to the need to guide, educate, and, in short, hand-hold their clients, especially those who are transitioning from the black market into state-legalized ones with little formal business knowledge. By ‘hand-holding’ we refer to accountants taking on a broader role, beyond book-keeping or tax preparation, to help clients implement systems and controls to be both successful and compliant with applicable laws.

But one problem is obviously, we have to go a bit farther in audit and internal controls. So obviously, cash control is a huge, huge task. Sometimes it can be daunting [...]. And still a lot of these owners can still get that mentality [that cash doesn’t need to be reported]. So, then we start counting cash. And so the cash control, you know, they need training for. There’s a huge need for records for those kinds of things. So, internal controls straight across the board. It’s a huge area of importance, is document management. And that’s an area that I work on with my clients as well. Of course, budget and tax preparation management. It’s a whole other area with [specific needs] in cannabis. (Emily)

This suggests that the service offering and overall role of the professional accountant in this context is expanded to perform a wider variety of tasks than our respondents would otherwise be involved in for non-cannabis clients. The tasks mentioned often referred to managerial or cost accounting and setting up and monitoring controls, for instance, to ensure systematic and accurate documentation as well as tracking of cash in what is essentially an all-cash business.

Yeah, we want to help them build the right systems for their, or operations, so that they can have, you know, clean, transparent record book-keeping. You know, for a variety of reasons. Obviously if there’s any audits that were to happen, they could provide those answers to those auditors quickly. If there was an opportunity for exit strategy, a purchase, then we want to be able to provide clean financials to any potential operator, or any potential buyer. So, yeah, so setting up those financial controls and transparent and clean record book-keeping is one of the primary functions that we serve. (Alex)

This statement further exemplifies what that expansion of activities may imply for accountants in this space. Edna similarly spoke to the expanded service offering that her firm in Oklahoma

provides to its cannabis clients. Her statement speaks to an overall installation of her clients into the broader business community (while also alluding to how they develop in-depth, niche expertise in the field):

There are some banks in Oklahoma that bank, this industry. Not very many. But there are a couple. And so we can help them connect with their insurance providers, their banker... That's a way we do accounting services in this industry, as well as tax returns, and we are on the, just at the point of beginning to do financial assurance type work. So, we've been very aggressive in trying to educate ourselves as to what does, what are the standards, what's required. In this industry, one of the things that we continue to hear from the very beginning is that the taxpayers books and records have to be very well kept. So, that's one of the things that we help give the taxpayers, or the clients: tools, resources. And sometimes we do that work. Sometimes we teach them how to do that work. And sometimes we just give them specific direction. As far as them getting the education they need to do that work on their own.

As a consequence of the stigma associated with cannabis, manifested both in its black-market history and in its current 'legal' and regulatory environment, professional accountants have to contend with additional challenges that often compel them to expand the work they perform for their stigmatized clients. This expansion of their professional role is unique to servicing cannabis clients, whereas their work for clients in other industries may be much narrower in scope.

*Summary of addressing consequences of clients' stigma.* The stigmatization of certain categories of organizations would seem to result in significant challenges that extend beyond the main targets of stigma to affect their commercial partners. In the context of cannabis, for instance, we've witnessed a substantial shift in how professional accountants interact with their clients. The consequences of stigma in cannabis which have manifested in incompetent business owners and convoluted regulatory environments have compelled their professional service providers to develop specialized expertise and to expand their role as partners to these organizations.

## **Discussion**

In this study, we've attempted to shed light on processes undergone and tactics employed by professional accountants attempting to cope with the stigma that may emanate from their core-stigmatized client organizations. Similarly, we've tried to elucidate the factors involved in enabling these professionals to 'take the leap' with such commercial partners. Research on stigma has been underserved in this area both with regards to organizational and occupational frameworks. Though these may represent two disparate literatures to some degree, we've attempted to make modest contributions to both in our examination of these commercial relationships.

The professionals in this study have alluded to a process of rationalization of entry that may serve to self-justify involvement with core-stigmatized partners. Personally held values, if not already in congruence with those of the stigmatized organizations, should be malleable enough to overcome reluctance to begin servicing such clients. Overcoming reluctance may be possible in part by focusing on the upside of an industry whose products have broader uses than traditionally thought and whose stigmatization has arguably been misguided and unjustified. On a professional level, consequences for involvement in a harshly stigmatized enterprise may be reconciled through careful examination of professional ethics and by withstanding the disapproval of peers. Key to this enablement seems to be a permissive stance on the part of professional institutions, such as state-level and national associative bodies, as well as focusing on the 'public interest' principle. So long as professionals adhere to their ethics and altruistic claims of serving the broader public, they may not need to fear compromising their professional livelihoods. Couple this with both strong economic opportunities and a promising future in which the stigma associated with an industry is significantly diluted and professionals may find the motivation necessary to jump in and service those suffering from core-stigma.

Where prior studies have illustrated the actions undertaken by core-stigmatized firms to shield their stakeholders from transferred stigma, very few have examined the approaches of

those stakeholders to shield themselves. To our knowledge, our study is the first to specifically examine the approach of commercial partners to shield or otherwise enact measures to address their concerns for stigma transfer. Though entering partnerships with core-stigmatized firms may be justified in the minds of professionals after undergoing a process of rationalization, their concerns for stigma transfer may not be immediately alleviated. Our study suggests that professionals proceed to enact a number of subsequent measures aimed at alleviating those concerns. These measures include the careful management of professional liabilities and the controlling of who they provided services to and of how those services are provided. While these measures largely concern being prepared to face the scrutiny that comes with stigmatization, professionals may simultaneously work to avoid that scrutiny altogether. Separating and isolating core-stigmatized clients from others through varied means serves to avoid both awkward situations as well as disruptions to business activities. Such measures, as evidenced in this study, may serve to mitigate the experience and transfer of stigma by the professional partners of core-stigmatized organizations and thus enable their partnership with such firms.

While the professional partners of core-stigmatized firms may enact measures to reduce the transfer of stigma that may emanate from their clients, they seem also to have to contend with the consequences of the stigma that their clients already face. This means significantly adapting their service offering to meet these clients' unique needs. Adaptation of services may translate into developing specialized expertise for what is essentially a niche industry, as well as playing a larger role in the operations of client firms where broader organizational competences are lacking. The stigmatization of certain organizations, particularly where the stigmatizing audience is considerably large and powerful, would seem to translate into unique organizational demands that would compel their ancillary service providers to adapt accordingly.

Our study examines how members of high-status professional groups may attempt to resolve reluctance in their pursuit of economic opportunities in stigmatized contexts. Such processes raise issues of professional ethics and the role of associations in these pursuits. For instance, the evidence we've gathered for this study suggests that professionals take time to reflect on ethics and do so in consultation with their peers to understand the implications of involvement with core-stigmatized clients. Because of the increased scrutiny that comes with the territory of stigmatized industries, professionals are obliged to reengage with ethics guidelines and may ultimately find the justification they need in the public interest principle. Were their clients not receiving professional help and guidance, they likely would not be contributing their proper dues to society, that is, to other members of the 'public'. "The accounting profession's public consists of clients, credit grantors, governments, employers, investors, the business and financial community, and others who rely on the objectivity and integrity of members to maintain the orderly functioning of commerce" (American Institute of CPAs, 2014). Involving themselves provides objective arbitration that enables the proper functioning of commerce, appeases the government through the proper filing of taxes (thus disincentivizing disruption), and perhaps enables their clients to dilute the stigma associated with their operations through some semblance of normalcy. Professional ethics seem to enable, rather than inhibit, involvement in controversial and indeed stigmatized industries.

How professionals seek to protect their reputations and indeed shield themselves from transferred stigma likewise brings professional principles of altruism and public interest to center stage. Our study suggests that both in preparing for and attempting to prevent the intense scrutiny that is commonly brought upon core stigmatized firms, professionals apply renewed rigor in their due diligence and interpretation of regulatory codes and adhere strictly to ethics in practice. In so doing, again professionals would seem to be acting in accordance with the public interest principle and seeing beyond self interest in economic exploits. These findings

seem to point to conversations on the commercialism versus professionalism dichotomy. In our context of study, while professional accountants are significantly motivated by the commercial opportunities inherent in a new and growing – albeit stigmatized – industry, the orientation of their firms showed to be narrow in scope and predominantly focused on professional accounting solutions. Similarly, the scrutiny brought about as a result of the stigma experienced by their clients led to an increased adherence to professional ethics while in other industries they might be more loosely applied. Unwelcome scrutiny in stigmatized contexts would seem to motivate stronger ethical behavior on behalf of professionals.

Prior studies have shown associative bodies such as the AICPA taking the initiative to attempt to expand jurisdictional claims into wider areas of expertise on behalf of the broader profession and in so doing, presenting new opportunities to its members (e.g. Gendron & Barrett, 2004; Shafer & Gendron, 2005). While expanding accounting practices into stigmatized contexts such as cannabis may not constitute new jurisdictional claims per se, such contexts do seem to require differentiated expertise nonetheless and would seem to present an opportunity for professional institutions to provide value to their members through industry research and clear guidance on best practices. However, we found that instead of leading the charge into cannabis, the AICPA, for instance, took a back seat to practitioners from predominantly small firms who themselves spearheaded the exploitation of opportunities in this new market. In the absence of national policy, and because the AICPA stood back while a growing number of states came online, an often-overlooked segment of the profession, that of smaller firms (Ramirez, Stringfellow, Maclean, Ramirez, & Stringfellow, 2015), took it upon themselves to develop expertise, interpret regulations and socially construct norms of behavior and standards of practice in this space through trial and error and community knowledge sharing. As such, stigmatized markets may present a context in which professional guidance on best practices and expanded opportunities occur ‘from below’ as opposed to ‘from above’.

This study may serve to shed additional light on the notion of professional privilege and autonomy. As evidenced in this study, accountants with a professional mandate to work and resolve conflicts “in the public’s interest” seemed enabled to do what federal law enforcement agencies may characterize as “aiding and abetting traffickers of a Schedule 1 controlled substance”. This was seemingly without consequence as long as they pushed their clients to be compliant with IRC 280E. Similarly, through framing their role as arbiters who work to mediate between offenders of federal law and the federal government itself, they in effect facilitate the financial appeasement of the federal government and disincentivize the disruption of industry activities. Similarly, through exercising selection and control of clientele, professionals may enjoy significant autonomy even and especially in such extraordinary and uncertain legal environments.

This study has attempted to abstract practical findings that are broadly applicable at least to a sizeable segment of the accounting profession. Those who participated in this study were not from multi-national accounting firms, such as the Big 4. Actually, the size of the firm from which professional accountants participated in this study ranged from micro (1-person) to small and medium, a broader category to which a majority of accounting firms belong (Ramirez et al., 2015) and concerning which we expect our findings to be relevant. While this segment of the profession may have less prominent stakeholders capable of making debilitating stigma evaluations that would disrupt vital revenue streams (as may be the case with Big 4 firms), such ‘nimble’ organizational conditions may enable their involvement with core-stigmatized clients and provide the flexibility needed to manage the prospect of stigma transfer.

Our findings also make modest contributions to organizational theory in regard to stigma. For instance, understanding how the commercial partners of core-stigmatized organizations address concerns for and consequences of stigma and its prospective transfer contributes to our understanding of what enables core-stigmatized firms to continue to function

and withstand severe negative social evaluations by powerful audiences. These firms can do so at least in part because they are able to access critical business services from providers who have developed values positions that are congruent with, or at least indifferent to, the firms' core values (Hudson, 2008). This points to the notion of 'network-level' strategies of stigma transfer mitigation. Selecting partners immune to stigma is one such strategy employed by core-stigmatized firms (Hudson, 2008). However, we found evidence suggesting that mitigation of stigma transfer risk may not occur as a unidirectional exercise of "shielding" performed by core-stigmatized firms themselves towards their partners and stakeholders at large. In fact, our data on professional accountants revealed a number of strategies that they themselves employed to mitigate these concerns. As noted, the professionals in our study alluded to conducting their own vetting and managing of clientele in the cannabis industry so as to ensure compliance with applicable law – and mitigate the prospect of their own sanctioning by professional or legal bodies. In so doing, professional service providers have demonstrably been able to mitigate the prospect of transferred stigma and address its consequences sufficiently enough to be able to provide their services in such contexts.

### **Limitations and Future directions**

While we believe this study has shed light on important processes of coping with stigma associated with professionals' client organizations, it has some obvious limitations. First, cannabis in the U.S., though having a long and historic track record of core stigma, has been experiencing large-scale de-stigmatization as it now enjoys support from a majority of the citizenry. Though the uniqueness of this context has allowed us to isolate and examine the dynamics of one particularly strong stigmatizing audience, exploring more extreme contexts in which a broader consortium of stigmatizing audiences exists would likely illuminate additional nuances as to how actors contend with stigma and the prospect of its transfer. Future studies might also consider, accessibility permitting, industries following the opposite trajectory of

cannabis; that is, those receiving increased scrutiny as of late for having been exposed, for example, for ‘nefarious’ practices, even though they are recognized as fully compliant with the law and are ‘legitimate’ to governing authorities. Meat and poultry industries, for instance, have been referenced recently in the media for having relied heavily on a low-wage earning, largely undocumented, migrant workforce and having very hazardous working conditions that threaten their very health and safety. Likewise, legal gun manufacturers have been under the public’s microscope in the U.S. for being able to escape liability amongst an increase in mass shootings.

Another limitation of this study has to do with constraints on data that might further illustrate the substance of stigma transfer. Because we were unsuccessful in interviewing parties of the federal government (i.e. IRS), the perspective of this stigmatizing audience towards the object of our study was difficult to capture. Future studies might consider contexts and audiences with readily available, or more easily accessible, data that better illustrates audiences’ points of view.

## **Conclusion**

Overall, our study suggests that coping with the stigma associated with certain core-stigmatized commercial partners requires a favorable, or at least malleable, values position towards the core values and activities of those potential partners. With such a values position in place, entry into such commercial relationships is further enabled when reluctance can be put to rest with sufficient moral, ethical, and economic justification. Upon entry, coping with the core-stigma associated with commercial partners tends to involve a mitigation of its possible transfer by employing tactics aimed at preparing for and preventing scrutiny. This is achieved by managing liability and controlling the practices of *selected* partner firms as well as minimizing attention and scrutiny towards their activities. Nonetheless, these types of commercial partnerships in which core-stigma is a factor seem to necessitate specialized expertise on behalf of professional services providers. Similarly, they seem to compel a more

involved relationship between partners, corresponding to an expanded services offering that would bring stigmatized firms into compliance with the expectations of members of the professionals' 'public' (i.e. government authorities).

## References:

- Abbott, A. D. (1988). *The system of professions : an essay on the division of expert labor*. The University of Chicago Press.
- American Institute of CPAs. (2014). *AICPA - AICPA Code of Professional Conduct. Code of Professional Conduct*. Retrieved from <http://www.aicpa.org/Research/Standards/CodeofConduct/Pages/default.aspx>
- Anteby, M., Chan, C. K., & Dibenigno, J. (2016). Three Lenses on Occupations and Professions in Organizations. *The Academy of Management Annals*. <https://doi.org/10.1080/19416520.2016.1120962>
- Ashforth, B. E., & Kreiner, G. E. (2014). Dirty Work and Dirtier Work: Differences in Countering Physical, Social, and Moral Stigma. *Management and Organization Review*, *10*(1), 81–108. <https://doi.org/10.1111/more.12044>
- Association, N. C. I. (2015). *Internal Revenue Code Section 280E : Creating an Impossible Situation for Legitimate Businesses*.
- Baran, B. E., Rogelberg, S. G., Lopina, E. C., Allen, J. A., Spitzmüller, C., & Bergman, M. (2012). Shouldering a silent burden: The toll of dirty tasks. *Human Relations*, *65*(5), 597–626. <https://doi.org/10.1177/0018726712438063>
- Barlow, M. A., Verhaal, J. C., & Hoskins, J. D. (2018). Guilty by Association: Product-Level Category Stigma and Audience Expectations in the U.S. Craft Beer Industry. *Journal of Management*, *44*(7), 2934–2960. <https://doi.org/10.1177/0149206316657593>
- Blithe, S. J., & Wolfe, A. W. (2017). Work–life management in legal prostitution: Stigma and lockdown in Nevada’s brothels. *Human Relations*, *70*(6), 725–750. <https://doi.org/10.1177/0018726716674262>
- Cole, J. M. (2013). *Guidance Regarding Marijuana Enforcement*. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>
- Corbin, J. M., & Strauss, A. L. (2015). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory 4th Edition*.
- Cox, J. (2019). The marijuana industry looks like the fastest-growing job market in the country. Retrieved April 26, 2019, from <https://www.cnbc.com/2019/03/14/the-marijuana-industry-looks-like-the-fastest-growing-job-market-in-the-country.html>
- Deephouse, D. L., & Suchman, M. (2008). Legitimacy in Organizational Institutionalism. In *The SAGE Handbook of Organizational Institutionalism* (pp. 49–77). <https://doi.org/10.4135/9781849200387.n2>
- Dellaportas, S. (2014). The effect of a custodial sentence and professional disqualification on reintegration. *Critical Perspectives on Accounting*, *25*(8), 671–682. <https://doi.org/10.1016/j.cpa.2014.03.005>
- Detzen, D., & Hoffmann, S. (2018). Stigma management and justifications of the self in denazification accounts. *Accounting, Auditing and Accountability Journal*, *31*(1), 141–165. <https://doi.org/10.1108/AAAJ-05-2016-2553>
- Devers, C. E., Dewet, T., Mishina, Y., & Belsito, C. A. (2009). A general theory of organizational stigma. *Organization Science*, *20*(1), 154–171. <https://doi.org/10.1287/orsc.1080.0367>
- Dimaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited : Institutional Isomorphism and Collective Rationality in Organizational Fields, *48*(2), 147–160.
- Eisenhardt, K. M. (1989). Building Theories form Case Studies. *Academy of Management Review*, *14*(4), 532–550.
- Gendron, Y., & Spira, L. F. (2010). Identity narratives under threat: A study of former members of Arthur Andersen. *Accounting, Organizations and Society*, *35*(3), 275–300. <https://doi.org/10.1016/j.aos.2009.09.001>

- Gendron, Yves, & Barrett, M. (2004). Professionalization in Action : Accountants ' Attempt at Building a Network of Support for the WebTrust Seal of Assurance \*. *Contemporary Accounting Research*, 21(3), 563–602.
- Goffman, E. (1959). *The Presentation of Self in Everyday Life*. New York: Anchor books.
- Goffman, E. (1963). *Stigma: Notes on the management of spoiled identity*.
- Graham, C., & Grisard, C. (2019). Rich man, poor man, beggar man, thief: Accounting and the stigma of poverty. *Critical Perspectives on Accounting*, 59, 32–51.  
<https://doi.org/10.1016/j.cpa.2018.06.004>
- Hamilton, P., Redman, T., & McMurray, R. (2019). ‘Lower than a Snake’s Belly’: Discursive Constructions of Dignity and Heroism in Low-Status Garbage Work. *Journal of Business Ethics*, 156(4), 889–901. <https://doi.org/10.1007/s10551-017-3618-z>
- Hood, D. (2019). Cannabis: A Major New Opportunity for Accountants. *Accounting Today*, 33(1).
- Hudson, B. A. (2008). Against all ODDS: A consideration of core-stigmatized organizations. *Academy of Management Review*, 33(1), 252–266.  
<https://doi.org/10.5465/AMR.2008.27752775>
- Hudson, B. A., & Okhuysen, G. A. (2009). Not with a ten-foot pole: Core stigma, stigma transfer, and improbable persistence of men’s bathhouses. *Organization Science*, 20(1), 134–153. <https://doi.org/10.1287/orsc.1080.0368>
- Jeacle, I. (2008). Beyond the boring grey: The construction of the colourful accountant. *Critical Perspectives on Accounting*, 19(8), 1296–1320.  
<https://doi.org/10.1016/j.cpa.2007.02.008>
- Khessina, O. M., Reis, S., & Verhaal, J. C. (2020). Stepping out of the Shadows: Identity Exposure as a Remedy for Stigma Transfer Concerns in the Medical Marijuana Market\*. *Administrative Science Quarterly*. <https://doi.org/10.1177/0001839220972422>
- Lashley, K., & Pollock, T. G. (2019). Waiting to Inhale: Reducing Stigma in the Medical Cannabis Industry. *Administrative Science Quarterly*, 000183921985150.  
<https://doi.org/10.1177/0001839219851501>
- Lauwo, S., Kyriacou, O., & Julius Otusanya, O. (2020). When sorry is not an option: CSR reporting and ‘face work’ in a stigmatised industry – A case study of Barrick (Acacia) gold mine in Tanzania. *Critical Perspectives on Accounting*, 71, 102099.  
<https://doi.org/10.1016/j.cpa.2019.102099>
- Miley, F. M., & Read, A. F. (2018). “This degrading and stealthy practice”: Accounting, stigma and indigenous wages in Australia 1897-1972. *Accounting, Auditing and Accountability Journal*, 31(2), 456–477. <https://doi.org/10.1108/AAAJ-10-2014-1839>
- Neu, D., & Wright, M. (1992). Bank failures, stigma management and the accounting establishment. *Accounting, Organizations and Society*, 17(7), 645–665.  
[https://doi.org/10.1016/0361-3682\(92\)90017-M](https://doi.org/10.1016/0361-3682(92)90017-M)
- Pellechia, T. (2018). In 2017 And Beyond, U.S. Enjoys The Highest Legal Cannabis Market Share Worldwide. Retrieved April 26, 2019, from <https://www.forbes.com/sites/thomaspellechia/2018/06/26/in-2017-beyond-u-s-enjoys-the-highest-legal-cannabis-market-share-worldwide/#535796632d20>
- Pereira, I. (2021, April 8). Legal marijuana movement builds as more states change laws - ABC News. Retrieved April 8, 2021, from [https://abcnews.go.com/US/legal-marijuana-movement-builds-states-change-laws/story?id=76907902&cid=clicksource\\_4380645\\_14\\_comic\\_strip\\_sq\\_hed](https://abcnews.go.com/US/legal-marijuana-movement-builds-states-change-laws/story?id=76907902&cid=clicksource_4380645_14_comic_strip_sq_hed)
- Pflueger, D., Palermo, T., & Martinez, D. (2019). De-stigmatization, collective action and market devices: A field study of the cannabis industry. *Working Paper*, 1–55.
- Phung, K., Buchanan, S., Toubiana, M., Ruebottom, T., & Turchick-Hakak, L. (2020). When Stigma Doesn’t Transfer: Stigma Deflection and Occupational Stratification in the

- Sharing Economy. *Journal of Management Studies*. <https://doi.org/10.1111/joms.12574>
- Pollock, T. G., Lashley, K., Rindova, V. P., & Han, J. H. (2019). Which of these things are not like the others? Comparing the rational, emotional, and moral aspects of reputation, status, celebrity, and stigma. *Academy of Management Annals*, 13(2), 444–478. <https://doi.org/10.5465/annals.2017.0086>
- Portwood, D., & Fielding, A. (1981). Privilege and the Professions. *The Sociological Review*, 29(4), 749–773. <https://doi.org/10.1111/j.1467-954X.1981.tb00774.x>
- Ramirez, C., Stringfellow, L., Maclean, M., Ramirez, C., & Stringfellow, L. (2015). Beyond segments in movement : a “ small ” agenda for research in the professions. *Accounting, Auditing and Accountability Journal*, 28(8), 1341–1372. <https://doi.org/10.1108/AAAJ-01-2015-1946>
- Romi, A. M., Carrasco, H., Camors, C. A., & Masselli, J. J. (2021). Accounting as a Normalizing Tool for Transitional Dirtiness: The Case of the US Adult-Use Cannabis Industry \*. *Contemporary Accounting Research*. <https://doi.org/10.1111/1911-3846.12733>
- Romi, A. M., Carrasco, H., Camors, C., & Masselli, J. (2018). From the Black-Market to the Gray-Market: Accounting’s Role in the Budding Cannabis Industry. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3090386>
- Shafer, W. E., & Gendron, Y. (2005). Analysis of a failed jurisdictional claim The rhetoric and politics surrounding the AICPA global credential project. *Accounting, Auditing & Accountability Journal*, 18(4), 453–491. <https://doi.org/10.1108/09513570510609324>
- Stenger, S., & Roulet, T. J. (2018). Pride Against Prejudice? The Stakes of Concealment and Disclosure of a Stigmatized Identity for Gay and Lesbian Auditors. *Work, Employment and Society*, 32(2), 257–273. <https://doi.org/10.1177/0950017016682459>
- Strauss, A. L., & Corbin, J. M. (1990). *Basics of Qualitative Research : Grounded Theory Procedures and Techniques*. Sage Publications. Retrieved from <https://uk.sagepub.com/en-gb/eur/basics-of-qualitative-research/book235578>
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571–610. <https://doi.org/10.5465/amr.1995.9508080331>
- Timmermans, S. (2005). Suicide Determination and the Professional Authority of Medical Examiners. *American Sociological Review*, 70(April), 311–333.
- U.S. Department of Justice. (2017). *Drugs of Abuse*.
- Valtorta, R. R., Baldissarri, C., Andrighetto, L., & Volpato, C. (2019). Dirty jobs and dehumanization of workers. *British Journal of Social Psychology*, 58(4), 955–970. <https://doi.org/10.1111/bjso.12315>
- Walker, S. P. (2008). Accounting, paper shadows and the stigmatised poor. *Accounting, Organizations and Society*, 33(4–5), 453–487. <https://doi.org/10.1016/j.aos.2007.02.006>
- Zhang, R., Wang, M. S., Toubiana, M., & Greenwood, R. (2021). STIGMA BEYOND LEVELS : ADVANCING RESEARCH ON STIGMATIZATION. *Academy of Management Annals*, 15(1), 188–222.
- Zhang, S., Jiang, L., Magnan, M., & Su, L. N. (2019). Dealing with Ethical Dilemmas: A Look at Financial Reporting by Firms Facing Product Harm Crises. *Journal of Business Ethics*, 170(3), 497–518. <https://doi.org/10.1007/s10551-019-04375-6>

## Appendices:

### Interview protocol and guide

- I. *Debriefing:*
  - a. *Purpose of the interview – to better understand the experiences of accountants working in the cannabis industry.*
- II. *Interview process*
  - a. *Responses are to be recorded and transcribed (with permission) but no personal information will be used in the write-up.*
  - b. *Please take your time in responding, the more detail the better. Feel free to go into depth.*

### Cannabis industry Question Guide – CPA firms:

1. Can you provide details about your firm?
2. Can you tell me the story behind your professional background leading to now?
3. Can you describe the process, or tell the story, behind the decision to service the cannabis industry?
4. How has your opinion on cannabis evolved over the years?
5. How do you handle/manage the issue of stigma surrounding the industry and its product?
6. How do you navigate professional ethics in servicing this industry, given the legality question?
7. Can you describe how the services you provide for the cannabis industry are different than those provided for other industries in general?
8. How do you see the role of accountants in the cannabis industry vs others?
9. Have you ever helped a client facing an audit? What was that like?
10. How do you keep up to date on the peculiarities of doing business in cannabis, as the industry evolves?
11. How do you see the future of the cannabis industry?
12. How do you see the role of accountants like you in shaping that future?
13. I'd like you to think about a cannabis client that you've had that you found particularly challenging and describe the work you've performed for them. What were some of the biggest issues you faced and how did you address them?
14. Anything else you'd like to add that maybe we haven't covered but you think relevant to know?
15. Do you know anyone else in your field that might be interested in participating in my research? Someone I might reach out to?

**Figure 1: Data structure**

