

Factors Impacting Ethical Decision Making in Small Business

ATHABASCA UNIVERSITY

FACTORS IMPACTING ETHICAL DECISION MAKING IN SMALL BUSINESS:
A FOCUS ON THE CANNABIS MARKET IN ONTARIO

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Approval Page



Approval of Dissertation

The undersigned certify that they have read the dissertation entitled

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Factors Impacting Ethical Decision Making in Small Business

Abstract

Ethical decision-making (EDM) in business leadership has been widely studied, with established classifications identifying personal, organizational, and situational factors that shape ethical behaviour. However, limited research has examined how these factors appear within newly legalized or highly regulated industries such as cannabis retail, where small business leaders face unique ethical and legal challenges. This study investigates that gap by examining factors identified by various researchers and incorporated into ethical decision-making frameworks, such as the Person-Situation Interactionist Model and the Contingency Framework. These factors shape EDM among small business leaders (SMLs) in Ontario's cannabis industry. Using an interpretive approach and unstructured interviews, the research identifies eight new factors relative to existing literature. These new factors are stigma, unfairness, technology, and five government-related factors (licensing, illicit markets, red tape, supply controls, and legal compliance). These factors interact with personal (e.g., historical associations with cannabis) and situational influences (e.g., peer pressure), reshaping how SMLs navigate ethical dilemmas. The findings also reveal that regulatory ambiguity and competitive pressures lead to grey-area practices in all aspects of business, including marketing. By integrating these factors, the study offers a blueprint for adapting EDM frameworks to emerging and stigmatized industries. This research contributes new data to cannabis research, adds to existing research related to Factors and EDM, extends CSR frameworks to stigmatized industries and enhances EDM frameworks through the introduction of the Stigmatized Industry Decision-Making (SIDM) Framework.

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Keywords: cannabis, cannabis marketing, cannabis in Ontario, cannabis in Canada, cannabis industry, ethics, ethical decision making, EDM, ethical decision making frameworks, factors, factors impacting ethics, stigma, stigmatization, stigmatized industry, corporate social responsibility, CSR

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List of Symbols, Nomenclature, or Abbreviations

AGCO: Alcohol and Gaming Commission of Ontario

BC: British Columbia

CAD: Canadian Dollar

CSR: Corporate Social Responsibility

EDM: Ethical decision-making

EDMF: Ethical decision-making frameworks

ESF: Ethical Survivor Framework

LCBO: Liquor Control Board of Ontario

LP: Licensed Producers

NGO: Non-Government Organization

OCS: Ontario Cannabis Store

SIDM: Stigmatized Industries Decision-Making

SMB: Small or Medium Business

SML: Small or Medium Business Leader

SMT: Stigma Management Theory

US or USA: United States of America

USD: United States Dollar

Chapter 1. Introduction

1.1 Introduction

Less than six years after Canada legalized cannabis, some provinces are contemplating decriminalizing possession of small amounts of illicit drugs, including cocaine, fentanyl, heroin, etc. (British Columbia Government, 2022). Yet, it can be argued that we have not had enough time to understand all the implications of cannabis legalization and its impact on society, especially on youth.

Several scholars have advocated for the legalization of drugs, citing benefits to society such as higher tax revenues and lower law enforcement costs (Richter & Levy, 2014). Others have sounded the alarm primarily as it relates to youth exposure, addiction, and the potential for predatory marketing practices such as those implemented by the tobacco companies of the past (Kavousi et al., 2022).

There are many dimensions and complexities to the cannabis industry. Cannabis itself shares many of the traits of alcohol and tobacco. It is an intoxicant and was banned just like alcohol on religious grounds, yet both substances are used in religious ceremonies (Ferrara, 2021). It is smoked like tobacco, recently drunk like alcohol, or infused in alcoholic beverages. Similar to alcohol and nicotine, cannabis has medicinal uses and benefits, and similarly, it can be an addictive substance (Connor et al., 2021; Work Group on Substance Use Disorders et al., 2006). Yet, cannabis retains a history of regulatory and policing practices (Reid, 2020).

Given the industry's nascent nature, studies on the factors influencing the ethical decision-making (EDM) of cannabis company owners have not emerged. Ethical decision-making is a critical area of applied business ethics that examines how moral

reasoning shapes leaders' choices. Ford and Richardson (1994) identified several factors that influence EDM, including industry climate, peer pressure, reward systems, etc. These factors are particularly relevant in marketing, an area historically prone to ethical challenges (Baumhart, 2017). Understanding how these and potentially new factors operate within the cannabis sector provides a foundation for addressing unethical marketing practices and strengthening ethical decision-making.

1.2 Background

There are no uniform laws in North America governing cannabis sales, as federal, state/provincial, and local rules often do not align (Cohen, 2024). However, one commonality among all jurisdictions is an explicit ban on the advertising and selling of cannabis to youth, defined as those under the age of 21 in the USA and ranges from 18 to 21 in Canada, depending on provincial laws.

Youth exposure, use, and misuse of drugs are at heightened levels. Boyd et al. (2021) showed that cannabis consumption among teens has doubled from 6.1% between 2013 - 2016 to 13.6% between 2019 - 2022, increasing the risk of permanent health damage and addiction, and according to Perrone (2022), the FDA banned Juul e-cigarettes amid concerns about teen vaping and use of vaping devices to consume cannabis. In some areas of Canada, general drug use is so severe that schools are teaching students how to apply Naloxone, an anti-overdose medication (Ensing, 2022).

Since its legalization, entrepreneurs have rushed to open cannabis stores across North America, seizing a perceived opportunity to quickly make large amounts of money. In Canada, especially, given its full legal nature at all levels of government, cannabis dispensaries opened at an astounding rate. For example, in four years, the

number of cannabis retailers in Ontario increased to 1,556 (AGCO, 2022), surpassing the 1,349 Starbucks Coffee stores in Canada, the world's largest coffee retail chain (Starbucks Coffee Corporation, 2023). This number is also more than twice the number of liquor retail stores operated by the Liquor Control Board of Ontario (LCBO), which has only 680 stores in the province (LCBO, 2023).

Cannabis sellers in Ontario primarily operate as small to medium-sized businesses (Forzley, n.d.), as outlined in [Appendix A](#). As shown in the literature review, small to medium-sized businesses (SMB)¹ are typically owned and operated by their owners, hereinafter referred to as the small business leader (SML). The SML exerts significant influence on all operations and decisions of the organization, basing them on personal ethics, values, and beliefs (Baumback, 1988; Jenkins, 2006; Marens & Wicks, 1999).

1.3 Statement of the Problem

Previous studies have identified several factors influencing EDM in large businesses (e.g., Luca Casali & Perano, 2021, Ford & Richardson, 1994) but it is unclear which of these factors affect SMLs in the Canadian cannabis retail sector, or whether new factors, unique to this regulated industry, also play a role in EDM. This study aims to resolve this lack of clarity by examining the factors that drive ethical decision-making among cannabis SMLs in Ontario. Understanding these factors is important as ethical lapses can undermine public trust, regulatory compliance, and the legitimacy of the legal

¹ Companies with less than five locations or 50 employees were considered an SMB (Sen & Cowley, 2012).

cannabis market. More importantly, ethical lapses may harm youth, a protected population. Further, insights into SML behaviour can inform more effective policy and leadership practices.

Several studies have documented unethical and illegal marketing practices in the cannabis industry (Forzley & Ordonez-Ponce, 2026), particularly concerning youth-targeted advertising. Despite regulations prohibiting the use of cartoon characters, requiring age verification, and banning direct marketing to minors, cannabis sellers continue to reach youth audiences through social media and third-party promotion. Research by Firth et al. (2022), Moreno et al. (2022), and Tan et al. (2022) provides clear evidence of online advertising directed at youth, while Asquith (2021) highlights the use of influencers and celebrities to circumvent advertising restrictions. The persistence of these practices has prompted a federal policy review (Government of Canada, 2023), underscoring the importance of understanding the ethical factors underlying such behaviour.

1.4 Purpose

The cannabis industry offers several avenues for understanding which factors affect SMLs' ethical decision-making. Understanding factors, rooted in public policy, legal compliance, corporate social responsibility, entrepreneurship, leadership, etc., and their impact on EDM, especially as it relates to marketing a highly restricted product, is an area in need of further research. Documenting and understanding these factors provide essential insights for SMLs, policymakers, and society. This study may have broad applicability beyond cannabis businesses to any small business managed by an entrepreneur whose daily decisions could have societal impact beyond their shareholders,

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investors, and customers. In some cases, this impact may be harmful and far-reaching. In general, SMLs working in new fields, such as financial technology, Artificial Intelligence (AI), cryptocurrencies, and medical technology, may not fully understand the impact of their decisions on all stakeholders. Other industries that are either currently licensed or soon to be licensed to sell restricted products, such as firearms, magic mushrooms, and synthetic drugs, can have significant negative impacts on stakeholders. In the case of cannabis, given the many companies active in the market, the SMLs' decisions to attract new customers to sustain the business could have unintended consequences on youth or people with addictions.

The purpose of the study is then to identify, understand and assess which factors influence SMLs' ethical decision-making and the implications of that influence. The research philosophy (interpretive) supports the purpose statement and is in line with the interpretative research method used (Saunders et al., 2019). The study then aims to achieve the following:

- To understand, document, theme, and categorize what factors influence the ethics and decisions of SMLs within the cannabis industry.
- To add to the limited body of literature on SMLs' ethical decision-making for restricted industries, and, in this case, cannabis shop owners.
- To make recommendations for best practices and future studies.

To achieve the study's purpose, the following research question is posed; “***What factors influence cannabis SMLs’ ethical decision making?***”

This study is significant as it will aid three constituents. First, policymakers across the world are considering changes to cannabis legalization laws or perhaps

decriminalizing additional substances. This study can benefit them by providing an understanding of the current state of SMLs' decision-making processes and identifying the factors that influence their ethical decision-making. This will allow them to enact better laws and protect youth, especially if cannabis is permitted to be sold by private companies, as is the case in Ontario. Further, the study can help governments develop more effective policies when considering the legalization of other restricted products in the future.

On an academic level, this research identifies and analyzes the factors that influence SMLs, providing a foundational data set for future research. It helps uncover the links between industry factors and SMLs' personal decision-making processes, and contributes to the body of knowledge on leadership in the cannabis industry.

Finally, SMLs in cannabis, similar or newly formed industries, can benefit from awareness and understanding of the factors that influence their ethical decision-making. This will lead to better decision-making and awareness of the broader impact on stakeholders outside the organization. Understanding these factors can also help SMLs apply existing ethical decision-making frameworks.

1.5 Summary

This chapter outlined the study's foundation, including its background, objectives, and purpose. The chapter also provides an overview of the research problem, emphasizing the need to understand how factors influence a leader's decisions and, hence, their corporate behaviour. The next chapter will provide an overview of the literature related to the study, followed by a detailed description of the research method

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in Chapter 3. Chapter 4 presents the study's results, which are discussed in Chapter 5.

Chapter 6 presents the research conclusion and highlights key takeaways.

Chapter 2. Review of Literature

2.1 Introduction

This study aims to answer the question “*What factors influence cannabis SMLs’ ethical decision making?*”. Ethical decision-making is a dynamic process shaped by the interplay of personal values, ethical judgments, and influencing factors. Situational factors have been shown to shape business events² and impact valued outcomes (Ford & Richardson, 1994). Leaders make decisions to mitigate against these impacts by evaluating personal values against ethical principles that distinguish right from wrong (Fritzsche, 1995). Figure 1 illustrates the EDM process.

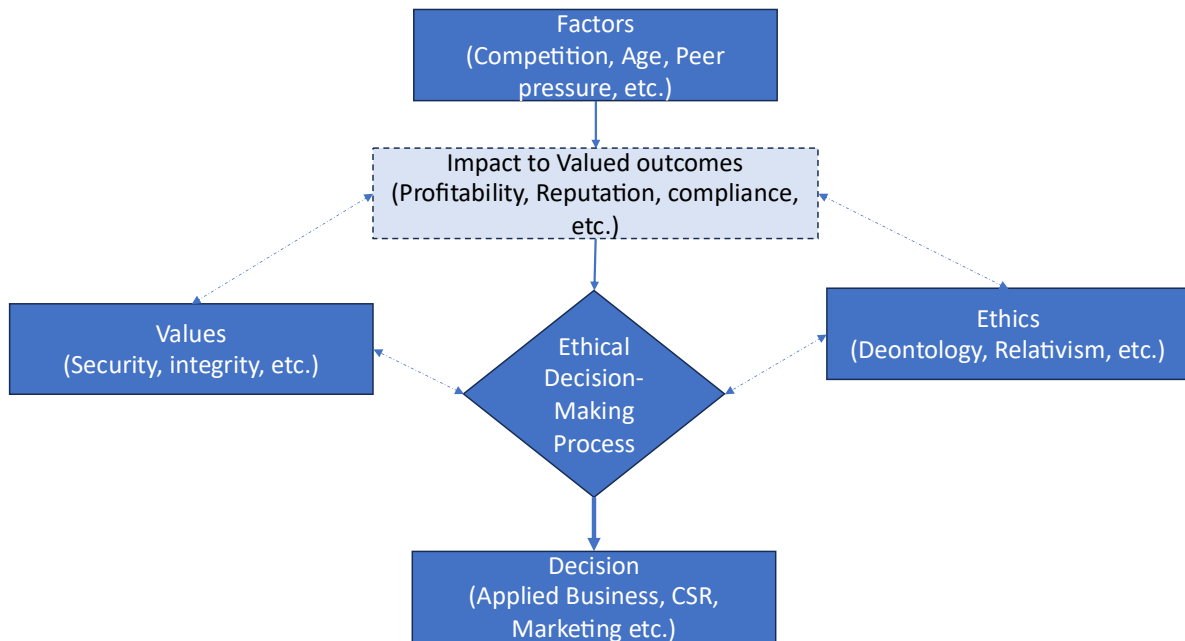


Figure 1 – Process of Ethical Decision Making

² Business events are events that impact the performance of the business, these include changes to supply chain, products, regulatory changes, customer sentiment, competitive pressures, etc. (Hunt & Vitell, 1986).

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Personal values are central to EDM, shaping how leaders navigate complex business challenges. Values such as integrity, fairness, achievement, social responsibility, employee welfare, innovation, customer trust, and sustainability guide leaders' priorities and behaviours (Hunt & Vitell, 2006; Spence & Rutherford, 2003). Valued outcomes are the goals leaders prioritize based on their ethical values and organizational context, including financial performance, reputation, regulatory compliance, stakeholder and community relationships, employee well-being, and integrity of conduct (Saha et al., 2020; Spence & Rutherford, 2003). Factors, such as market competition or regulatory pressures, impact these valued outcomes, triggering EDM processes where SMLs weigh their values and ethical principles to make decisions, often leading to applied business ethics actions such as CSR or ethical marketing (Ford & Richardson, 2014; Hunt & Vitell, 2006; Jenkins, 2006).

This chapter provides a comprehensive review of the existing literature relevant to the study's purpose, focusing initially (Section 2.2) on providing an overview of cannabis legalization in Ontario, Canada. Ontario, Canada's largest and most populous province, has adopted an open licensing policy, offering an opportunity to examine the factors that shape the ethics of leaders in this industry. Next, a comprehensive review of the scholarly literature is presented as follows: Section 2.3 discusses ethics, values, morality, and business ethics, followed by Section 2.4, which examines the literature's insights into factors influencing ethical decision-making. Next, in Section 2.5, ethical decision-making frameworks are explored, and finally, in Section 2.6, applied business ethics is discussed.

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This chapter establishes the scholarly context and theoretical framework for the research, identifying a research gap regarding the factors that influence SMLs' ethical decision-making in the cannabis industry.

2.2 Cannabis Industry

2.2.1 Cannabis Introduction

Cannabis is the most frequently used illicit psychoactive substance in the world (Lafaye et al., 2022). Recreational cannabis has been decriminalized or legalized in many countries, such as Uruguay, Canada, and Portugal (Cabral-Barata et al., 2022). The US is the world's largest cannabis market while remaining an illegal substance under the Federal Controlled Substances Act (United States Drug Enforcement Administration, 2022), along with heroin, lysergic acid diethylamide (LSD), etc. (DEA, 2022). At the same time, and in contradiction to federal laws, recreational cannabis is legal in 24 states (MJBizDaily, 2024).

On the one hand, legalization brings several concerns as increased cannabis use can result in health disorders, accidents, and hospitalizations (Cabral-Barata et al., 2022). According to Hust et al. (2020), there are five lessons learned from the alcohol and tobacco industries that apply to cannabis: a) health implications such as damage to bodily functions, b) risk of dependency and addiction, c) high potency and contaminants, d) driving under the influence, and e) restricting access and use by youth.

On the other hand, there are several benefits to legalizing cannabis. A decrease in cannabis-related crimes (Cabral-Barata et al., 2022; Hall & Lynskey, 2009), reduction in law-enforcement and judicial costs (Hall & Lynskey, 2009), reduction in arrests and unwarranted criminal charges (Hust et al., 2020), a controlled product and reduction in

synthetic cannabis supply (Cabral Barata et al., 2022), a decline in black markets and a possible reduction of purchases of other illegal drugs from black market sellers, and tax revenue increases (Block & Ghoneim, 1993; Hust et al., 2020). All the points mentioned are substantial. Take taxes as an example; although people consume alcohol eight times more than cannabis, cannabis earns governments more revenue (Roberts, 2022) and may earn the various US governments approximately USD 12 billion in revenue by 2030 (Braun, 2021). In Canada, the cannabis industry experienced a year-over-year increase of approximately 13.7% to roughly CA\$3.34 billion (Lamers, 2023a). Ontario reported monthly cannabis revenue of CA\$188.5 million (Lamers, 2023a) and, by the end of 2023, a net accumulated profit of CA\$459 million (Armstrong, 2023).

2.2.2 Canadian Cannabis Legalization

In 2018, Health Canada legalized recreational cannabis nationally (Health Canada, 2018). The law allowed individuals to possess 30 grams of dried flower or its equivalent in public (OCS, 2024). As seen in Figure 2, the law divided responsibility for cannabis between the federal government and its provincial counterparts.

Federal Responsibility

Rules on growing, manufacturing, packaging, selling and possession of cannabis.
Licensing producers
Border protection
Penalties

Provincial Responsibility

Distribution and retail licensing
Zoning
Driving under the influence and compliance enforcement
Youth protection

Figure 2 – Responsibility Over Cannabis - Federal and Provincial Governments in Canada (Health Canada, 2018)

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As shown in Figure 2, under this model, the federal government establishes rules for commercial cannabis cultivation and sets limits for personal cultivation. The federal government also licenses producers, sets packaging design and branding guidelines, and sets dosage limits per product line. The federal government is also responsible for ensuring that cannabis does not enter the country illegally (Health Canada, 2018).

The provincial governments oversee cannabis distribution and manage the retail licensing of cannabis (physical stores and online) in approved geographical zones. Furthermore, the provinces enforce driving under the influence (DUI) rules and establish a structure for child protection, which includes setting the age of consumption. In Ontario, the age is 19 (Health Canada, 2018).

Some, like Kirst et al. (2015) argue that restricted substances should have a common public policy, i.e., the same legal framework for tobacco, alcohol, and cannabis. Instead, according to Asquith (2021), Canada produced a cannabis act based on the previous Tobacco Act, with antiquated marketing regulations that did not reflect how cannabis can be marketed online, especially on social media.

In Canada, each province licenses cannabis slightly differently. Table 1 presents the licensing methods by province, beginning with age restrictions on purchasing cannabis. The licensing method for in-store sales is categorized as either "Private," meaning an individual or private corporation sells the product, or "Government," meaning a government agency sells the product. In the last column, the licensing method for online sales is presented (Government of Canada, 2022a). Canada's two largest provinces, Quebec and Ontario, have distinct licensing models. Quebec restricts access to

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cannabis to only government-run stores and prohibits the sale of edibles and vapes, while Ontario has a mixed licensing model.

Table 1. Summary of Cannabis Selling Methods in Canada by Province.

Province	Age Restriction	In Person Licensing	Online Licensing
Alberta	18	Private	Private
British Columbia	19	Government/Private	Government
Manitoba	19	Private	Private
New Brunswick	19	Government	Government
Newfoundland and Labrador	19	Private	Government
Northwest Territories	19	Government	Government
Nova Scotia	19	Government	Government
Nunavut	19	Private	Private
Ontario	19	Private	Government
Prince Edward Island	19	Government	Government
Quebec	21	Government	Government
Saskatchewan	19	Private	Private
Yukon	19	Private	Government

2.2.3 Cannabis in Ontario

Ontario was initially going to fully control the sales of cannabis via government-operated stores called The Ontario Cannabis Store (OCS). However, a new government abandoned this model at the time of implementation. Instead, Ontario opted to allow private corporations to sell cannabis (Government of Ontario, 2018). The lottery-based licensing and the speed with which this change occurred created unprecedented market conditions (e.g., oversaturation, the OCS store, control of the supply chain, etc.), all of which are described in detail in the Results chapter.

Ontario governs cannabis, as shown in Figure 3, which provides an overview of how Ontario enacted its cannabis licensing and retail model³.

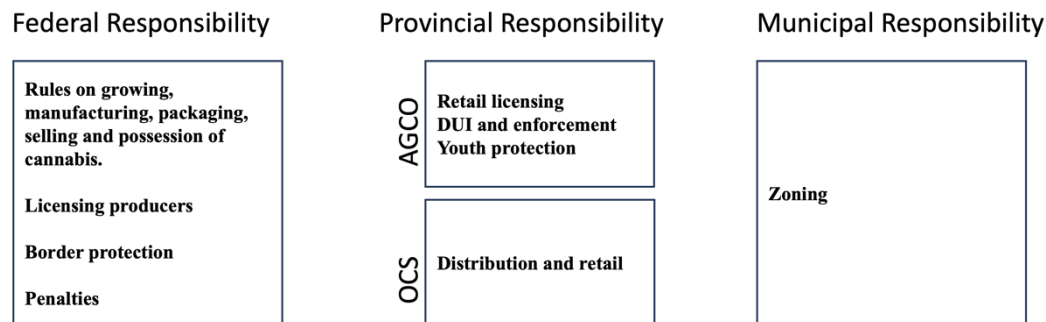


Figure 3 - Depiction of Ontario's Cannabis Governance Model

Ontario fulfills its cannabis mandate by dividing this effort among three entities. First, the licensing and enforcement of cannabis regulation is the responsibility of the Alcohol and Gaming Commission of Ontario (AGCO). The responsibility of distributing cannabis to licensed retailers lies with the Ontario Cannabis Store (OCS). Finally, the

³ Ontario is unique in using this governance and licensing model, no other province or territory adopted this model.

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province delegated zoning responsibility to municipalities, allowing them to opt out of permitting cannabis retail shops within their boundaries. Consumers unable or unwilling to buy cannabis locally can purchase through OCS's website and receive the product via Canada Post.

The licensing model presented above created a cannabis supply chain in Ontario that centres on the OCS. Figure 4 depicts the supply chain of cannabis in Ontario.

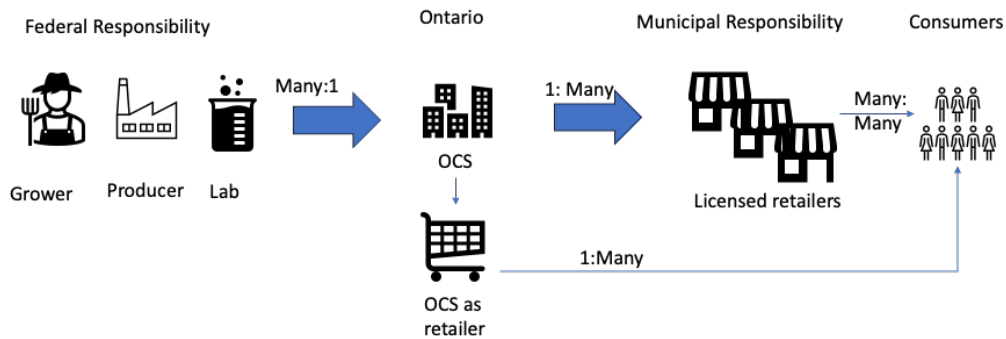


Figure 4 - Ontario Cannabis Supply Chain

Growers licensed by the Federal government farm cannabis. Once harvested, producers transform cannabis into various products such as edibles, flowers, vapes, hash, pre-rolls, etc. The producers (federally licensed) and, in many cases, the farmers themselves, must follow Health Canada guidelines for packaging, branding, marketing, and quality. Cannabis sold in Canada must be certified by a laboratory also licensed by the federal government, which tests the products for quality, pesticide use, and the levels of chemicals present (THC, CBD, and terpenes). Producers can market their products to consumers, an activity not provincially regulated.

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Once the product is certified, a federal government tax stamp is applied. In Ontario, producers cannot sell directly to retailers; therefore, there is a many-to-one relationship in the market, meaning all producers (many) must sell their product to the OCS (one buyer), making the OCS a monopsony, i.e. a market condition where there are many sellers in the market but only one buyer, giving the buyer significant power and control (Manning, 2021). The OCS imposes additional taxes on the product and makes it available to retailers. In Ontario, there is a one-to-many relationship where all licensed retailers are required to purchase products from the OCS. This results in the OCS being a monopoly, a market condition characterized by a single seller serving multiple buyers, which gives the seller significant power and control (Manning, 2021). Consumers have a many-to-many relationship with licensed retailers in municipalities that allow it or a one-to-many relationship with the OCS when purchasing online, which makes the OCS, an already powerful entity in the cannabis market, a competitor to licensed cannabis sellers.

Furthermore, the OCS has established two processes for managing product flow in the market, which have a profound impact on cannabis retail operations. The first is what is called the "Flow through"⁴ program (Cannabis Retailer, 2023). In essence, when a product enters the OCS inventory, a certain volume of sales is expected to be maintained to keep that product as part of the regularly stocked items. If the product does not meet the required volume, it will be delisted and can only be purchased as a "Flow through" item. This means the retailer must request it, and the product will then flow through the OCS, a process that takes a few weeks to complete. Delisting a product results in producers experiencing a significant loss of exposure and revenue. The second

⁴ Flow through volume requirements are unique to Ontario

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process involves inventory distribution, designed to simplify OCS logistics. Retailers, based on their location, are assigned a once-a-week, five-hour⁵ window during which they may place orders for delivery later in the week. If the store misses their window or runs out of product, it can request an emergency order for an additional fee.

There were five distinct licensing periods in Ontario, depicted in Figure 5. In December 2018, Ontario announced that the first twenty-five companies would be licensed through a random lottery system. More than 17,000 applicants completed the required \$75 application, and the winners of the lottery had five days to pay a \$5,000 license confirmation fee. Twenty private individuals and five corporations won the initial licenses (The Canadian Press, 2019). Ontario opened another round of licensing in July 2019, using the same lottery scheme, and granted 42 licenses (Maurer, 2022). Given the overwhelming demand for more licenses, in January 2020, the Ontario government abandoned the lottery system and adopted a first-come, first-served model for licensing companies. The government granted the final license after the applicant secured a location, prepared it, stocked it, and staffed it. A final inspection of the store was then conducted (AGCO, 2024). What is not well known to the public is that a company under this scheme could initially open up to 10 stores with the same license, eventually increasing to 75 locations. In January 2024, the government of Ontario further expanded the limit, now allowing a company to operate up to 150 stores (Callan &D'Melloo, 2024).

⁵ The ordering window is unique to Ontario

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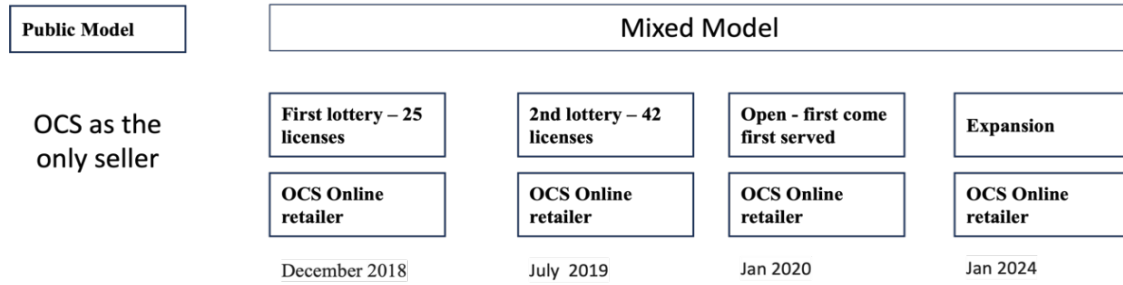


Figure 5 - Cannabis Licensing in Ontario Over Time.

The legalization process described above provides a unique opportunity for studying cannabis in Ontario. First, the OCS plays a threefold role as a monopsonist, monopolist, and competitor, which is unique in a free-market economy and unprecedented among all legalized jurisdictions. Second, the rapid rise in the number of stores opening in Ontario, to nearly 1,800 (Israel, 2024), causes saturation. Furthermore, given that each license holder can now operate up to 150 stores (Lamers, 2023b), the potential is for hundreds of thousands of stores, which could lead to oversaturation. Finally, Ontario offers an opportunity, given its nascent cannabis market, to gather early data on the factors influencing leaders' ethics, especially if the market becomes hyper-competitive.

2.2.4 Issues Related to Cannabis Consumption

Though it was long considered to be a soft drug, with some benefits such as easing chronic pain relief, muscle spasticity, nausea and vomiting, and refractory epilepsy (Hoch et al., 2025), studies have proven the harmful psychiatric and addictive effects associated with cannabis use (Lafayet et al., 2022). Research conducted by Keyhani et al. (2022) shows that those who frequently use cannabis do so at high rates,

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reporting that regular smokers, on average, smoke 76 times per month. Those who reported daily use smoked an average of 3.9 times per day (Keyhani et al., 2022), which can have significant health implications.

Cannabis abuse and dependence have been increasing among both adolescents and adults in the US (Copeland & Howard, 2022). Like alcohol and tobacco, regular cannabis use can lead to addiction, and users can find it difficult to stop (Hall & Lynskey, 2009). According to McInnis et al. (2016), cannabis consumption harms a range of cognitive functions, including performance deficits, concentration, coordination, reaction time, memory, multi-tasking, perceptual abilities, thought processing, judgment, and insight. Further, Kalant (2016) showed that all domains of cognitive functioning were affected by cannabis use, with adverse effects impacting everyday living function, poor school performance, higher drop-out rates, and subsequent restriction of career possibilities.

Even though it is sold as a relaxant and anxiety reliever, long-term use has proven to do the opposite, driving higher anxiety, panic, and psychotic symptoms (Morton et al., 2015), especially among those with mental health conditions (Rup et al., 2020). For example, Daldegan-Bueno et al. (2022) showed a moderately positive association between cannabis use and perpetration of physical (including intimate-partner) violence, assault, aggression, and fighting. This risk may be further elevated with intensive cannabis use patterns. Further, such harms may involve injuries/deaths and contribute to the cannabis-related burden of disease (Patel, 2022).

Just like alcohol, there is a substantial risk of an accident if a person drives a motor vehicle while intoxicated with cannabis (Hust et al., 2020). A California study

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found that up to one in five drivers test positive for cannabis (Reboussin et al., 2019). A recent study concluded that the incidence of fatal accidents among drivers under 21 was 38% higher on April 20 (the annual celebration of cannabis) than at any other time (Egilman et al., 2018).

According to Lafayet et al. (2017), the lack of understanding of proper dosing, along with an increase in the potency of cannabis's intoxicating substance, tetrahydrocannabinol (THC), is becoming a problem. This is especially true with edibles, as the onset and magnitude of intoxication are not predictable when cannabis is consumed, leading to overdosing (Durkin, 2014). Emergency room visits due to accidental exposure to the drug are typical and often related to ingesting foods containing cannabis (Durkin, 2014).

Consumption and risky behaviours related to cannabis use among youth remain a concern, with 43% of Canadian youth aged 16–19 reporting past-year cannabis use, among the highest globally (Government of Canada, 2024). Doggett et al. (2019) attributed this to the ubiquity of pro-substance use content on the internet and the normalization of cannabis consumption. In Canada, the quality of information on cannabis addiction, health impact, and alternatives is poor, and websites, in general, do not warn about or discuss the issues associated with cannabis consumption (Ng et al., 2022).

A Government of Canada study shows the impact of cannabis usage on youth, i.e., those who are considered 16-19 years old (Government of Canada, 2022b). The study showed that those in that age group reported cannabis use in the past year at a

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percentage approximately double that of those 25 years and older. 44% of that age category reported having used cannabis in 2020, and 37% reported use in 2021 (Government of Canada, 2022b). Further, the Government of Canada (2022b) reported that, based on a separate study titled the Canadian Student Tobacco, Alcohol and Drugs Survey (CSTADS), cannabis use starts earlier in life, with the average age of initiation of 14.3 years. In addition, the Government of Canada (2022b) reports that 25% of those in the 16-19 age category state that “going to school” is their main life activity, consumed cannabis, and got high within two hours before or at school. Finally, and perhaps more dangerously, 16% of those in the 16-19 age group reported driving within 2 hours of consumption. These data points suggest that the impact on society and youth is becoming problematic. Early initiation or normalization of cannabis use among youth underscores the need to better understand the ethical, social, and regulatory implications of cannabis consumption, which is the central motivation of this study.

2.2.5 Compliance with Cannabis Regulation

Governments have enacted policies that seek to prevent youth from exposure to cannabis advertising and acquisition. However, a study conducted by Zuckermann et al. (2021) shows clear evidence that Canadian legislation has not achieved its objective of reducing youth consumption of cannabis. Regulations restricting cannabis stores from opening within 1000 feet of schools exist and have driven cannabis retailers to open stores in residential areas where young people live. In Ontario, the regulation restricts operating within 150 meters (492 feet) of a school (AGCO, 2022). A study by Palali and Ours (2015) found that young people living closer to cannabis shops start using cannabis earlier than those who live further away.

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Furthermore, there is a strong association between cannabis advertising and youths' intention to use cannabis (D'Amico et al., 2015; S.-Y. Park & Holody, 2018). Exposure to cannabis advertising was associated with greater intentions to use and more positive expectancies about cannabis (D'Amico et al., 2015; Shih et al., 2019), and higher average use (D'Amico et al., 2015; Krauss et al., 2015).

All forms of cannabis consumption were higher among Canadian and US youth compared to other jurisdictions (Fataar & Hammond, 2019). Information regarding the adverse effects of cannabis is not widely known and has been overwhelmed by pro-cannabis marketing (Breakstone et al., 2021; OASH, 2023; Suarez-Lledo & Alvarez-Galvez, 2021). Further, pro-cannabis messaging has grown and can be found everywhere, from social media websites like Pinterest to highway billboards, creating an overall positive sentiment for cannabis (Najafizada et al., 2022).

In Canada, cannabis companies can not advertise cannabis in print publications unless they have reliable evidence that no more than 30 percent of the publication's readership is under the age of 19 (Health Canada, 2023). This age provision also applies to TV, radio, billboards, and the Internet (Fiala et al., 2018). Items that are child-friendly, such as images of cartoon characters or toys, are strictly prohibited (Caulkins, 2018; Fiala et al., 2018). The laws, however, are not clear on the advertising of cannabis-related products, such as vaporizers or third parties, including celebrities, who can advertise on behalf of the sellers.

In both Canada and the US, there is ample evidence of rule-breaking (Forzley & Ordonez-Ponce, 2026). For example, a study by Carlini et al. (2022) found a total of 328 marketing-related violations from 183 different cannabis sellers. Marketing violations

occur most frequently in online content (Carlini et al., 2022). In Canada, cannabis companies such as Organigram had TV show personalities, the Trailer Park Boys, and created co-branded pre-rolled joints, which band members advertise (Phillips, 2021). Other companies have utilized celebrities such as Snoop Dogg and Martha Stewart to promote their cannabis products (Phillips, 2021). Celebrities are not the only public figures used to spread marketing messages and misinformation. Caputi (2022) found evidence that five of the six companies reviewed engaged in and publicized partnerships with academic institutions where professors' quotes about certain health benefits of cannabis were used to endorse cannabis or cannabis-derived products.

When unable to get around the law, cannabis companies break it. Cannabis consumption warnings are often displayed in a smaller font or hidden on terms and conditions pages, where they are rarely read (Mackey & Liang, 2015). Further, Mackey and Liang (2015) observed that 35.1% of sellers do not have any detectable age verification process, which was also observed in a study of cannabis sellers in Colorado (Forzley, 2021). Instead of warning the public, cannabis sellers advertise their products online as health products or as medicinal drugs and claim that cannabis can relieve pain and anxiety. This practice is illegal in Canada, yet 77 websites are found to practice it (Zenone et al., 2021).

The use of digital marketing tools such as websites and social media is widely used by cannabis sellers both in Canada and the US. Despite restrictions that prohibit cannabis advertising on social media, adolescents are exposed to cannabis marketing via social media, and this exposure is associated with recent cannabis use (Whitehill et al., 2019). Further, exposure to cannabis marketing on Facebook, X, and Instagram is

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associated with increased odds of past-year cannabis use, which increased by 48% with each additional social media platform where adolescents reported exposure (Whitehill et al., 2019). Sheikhan et al. (2021) found that Canadian cannabis sellers are frequent users of digital marketing, with 96.7% operating a website, 60.7% having a Facebook page, 58.3% having an Instagram account, and 58.3% having an X account. Anderdal-Bakken and Kirstine-Harder (2022) show that companies use cannabis influencers on Instagram, and Trangenstein et al. (2019) found that youth who liked or followed a cannabis business on at least one social media platform had five times higher odds of cannabis use in the past year. Trangenstein et al. (2019) also suggested that youth who saw frequent cannabis advertisements exhibited higher odds of weekly cannabis usage and developing cannabis use disorders (Trangenstein et al., 2019).

Park and Holody (2018) highlight that youth are exposed to positive cannabis messages, as sellers produce a significant amount of pro-cannabis messages on their social media profiles. Similarly, Krauss et al. (2017) and Hust et al. (2020) found that youth are commonly the target of cannabis advertising, in violation of the laws of both Canada and the US. There is some confusion as to whether advertising on social media is permitted; the large social media sites such as X and Facebook fall within the 30% rule; however, both Facebook and X have rules forbidding paid advertising of restricted products but permit the creation, sharing of cannabis-related content and allow commenting on cannabis-related content (Facebook, 2022; X, 2022). Instagram prohibits paid advertisements for cannabis, but cannabis businesses can create promotional profiles or business profiles (Jenkins et al., 2021). Organic marketing practices, such as liking, sharing, commenting on posts, and following, are forms of advertising that cannot be

stopped (Jenkins et al., 2021); yet they are not addressed in Canadian or US State laws. Given that individuals can obtain Instagram accounts as young as 13, the platform primarily appeals to youth (Hust et al., 2020), raising the question of how different states can effectively police and enforce laws, even if they exist, and protect vulnerable groups, especially youth (Bierut et al., 2017).

2.2.6 Cannabis Literature Summary

Cannabis, while offering social, economic, and public policy benefits (Cabral-Barata et al., 2022; Hall & Lynskey, 2009; Hoch et al., 2025), also creates ethical concerns, especially in Ontario, given its unique governance model as outlined in Section 2.2.3, where rapid market development may have created an environment ripe for rule-bending. Unethical cannabis marketing has followed a pattern well documented in the literature. Despite federal and provincial efforts to control access and restrict youth exposure, the unethical practice of cannabis marketing frequently crosses legal lines by deliberately targeting youth, using celebrity endorsement, influencer-driven content, and use of social media platforms.

2.3 Ethics, Values, Morals, and Business Ethics

Before exploring the theory related to factors influencing ethical decision-making, CSR, and stakeholder relations, it is essential to establish an understanding of the core concepts that underpin ethical behaviour in business: ethics, values, and morals. Personal ethics, values, and morals are interconnected concepts that significantly influence ethical decision-making in the business world and serve as a foundation for SMLs' decision-making. This section sets the stage for understanding how these

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principles guide ethical conduct and shape applied business ethics, such as CSR and ethical marketing practices.

The Greek philosopher Socrates posed the question, “What ought one do?” Scholars have developed many ethical theories over time, and discussing all of them is beyond the scope of this paper. Fritzsche (1995), as shown in Figure 6, emphasized that personal values influence the ethical dimension of decision-making, bridging theoretical ethics (meta-ethics and normative ethics) to applied business ethics, where values are operationalized into actionable decisions. These areas of ethics are identified as most closely related to the research question because they pertain to leaders' ethical decision-making and are discussed in the following section.

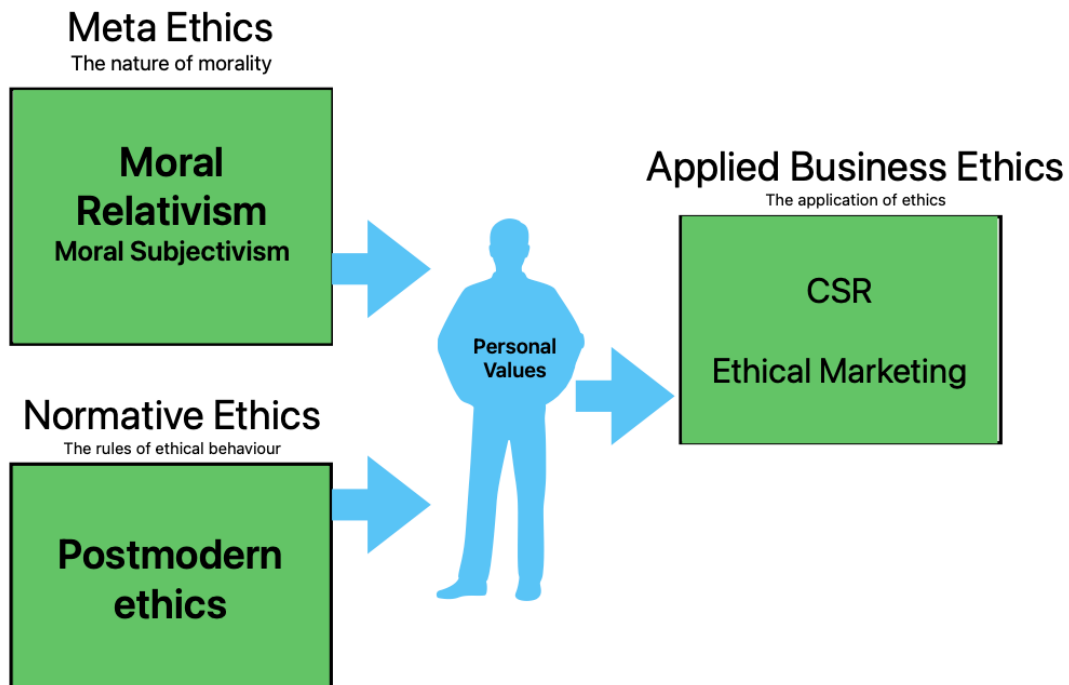


Figure 6 - Types of Ethics Related to this Study.

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While Figure 6 highlights the types of ethics most relevant to this study, it is important to highlight the relationship between values, morals, and ethics in this context. Values represent the deeply held personal beliefs that guide individual priorities and behaviour; they inform individuals about proper conduct relative to desired outcomes (Nystrom, 1990) and serve as the foundation for distinguishing right from wrong (Surbhi, 2017). Morals reflect the collective standards of a community that define what is considered acceptable or unacceptable conduct (Nystrom, 1990) or what is considered “good” or “bad” (Gormandy-White, 2023). Ethics, in contrast, provides a systematic framework for applying these values and morals to real-world situations, translating them into rules, codes, or structured decision-making processes (Velasquez et al., 2010). In practice, leaders' ethical decisions emerge from three key elements: personal values (e.g., integrity, fairness), the moral expectations of the communities in which they operate, and the ethical frameworks they adopt to resolve business dilemmas. Thus, the ethical theories discussed in the following sections should be viewed as formal structures that give shape to, and are in turn influenced by, the underlying values and morals that guide decision-making (George, 2011). A summary of the relationship between ethics, values, and morals in business is presented in Table 2.

Table 2 - Relationship Between Ethics, Values, Morals, and Influencing Factors in Business

	Definition	Role in Business
Values	Enduring personal beliefs about proper conduct and desired outcomes (Nystrom, 1990).	Shape individual priorities and guide behaviour (e.g., integrity, fairness) (England, 1967).
Morals	Shared community standards of “good” or “bad” derived from values (Gormandy-White, 2023).	Form the basis for organizational ethical codes and shared societal norms.

Ethics	Systematic rules to determine right or wrong actions (Krishnamurthy, 2011).	Regulate behaviour through codes of conduct (e.g., CSR, marketing ethics).
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2.3.1 Meta-Ethics

Building on this relationship between values, morals, and ethics, meta-ethics is concerned with the nature of morality itself. Since this study examines the personal ethics of cannabis SMLs, it adopts a moral relativist meta-ethical stance, espousing the view that individuals or groups may define moral facts and ethics differently based on their culture or historical experience (Makie, 2013). To be specific, this study adopts a type of moral relativist view known as moral subjectivism, which holds that moral facts are relative to an individual's beliefs (Delapp, 2012; Harman, 2015).

2.3.2 Normative Ethics

Normative ethics is concerned with the rules of ethical behaviour (DeLapp, 2010), and, in the case of business, with resolving the question of what managers “ought to do” when confronted with an ethical issue (Tsalikis & Fritzsche, 1989). Normative ethics is quite broad; however, Wernaart (2021) presented a simple classification and suggested that normative ethics can be split into two categories. The first is “Ethics for the people,” and the second is “Ethics from the people”.

“Ethics for the people” is concerned with providing ethical guidance to help people answer the question of what one “ought to do” when confronting an ethical dilemma (Wernaart, 2021). There are several perspectives, as highlighted by several authors. The first principle is virtue ethics, where a good character or good inner state

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enables right action (Ranganathan, 2017). Plato and Aristotle, famous virtue ethicists, argued that cultivating personal virtues such as courage and temperance results in internal harmony, which, in turn, manifests ethical conduct (Ranganathan, 2017). In a cannabis business context, a manager might cultivate transparency as a virtue by openly sharing product sourcing details, even if not legally required, to build long-term trust. Partington (2002) suggests perspectives such as teleological (consequential) and deontological (single-rule nonconsequential), where teleological perspectives focus on the outcome measured from a human perspective (Clasen, 1967); an example of teleological ethics is the act of selling cannabis. If cannabis has benefits to society and these benefits outweigh the negative impacts, then the decision to sell cannabis is deemed ethical. Deontological perspectives centre on the concept of duty and doing good regardless of the outcome (Beauchamp & Bowie, 1983). An example of a deontological decision in cannabis would be to require age verification instead of relying on user input for anyone who interacts with the company in any way.

Another perspective that fits under ethics for the people is the ethics of care, which prioritises relationships, empathy, and responsibility over universal rules and outcomes (Held, 2005). An example of the ethics of care is a manager who prioritizes community outreach and good relations with neighbours.

The next area of normative ethics, as Wernaart (2021) suggests, is “ethics from the people,” which aligns with the meta-ethics view of moral subjectivism. This area of ethics is based on the idea that there is no comprehensive theory of ethics; instead, individuals make choices based on their values and the context in which they are making these decisions (Chang & Yen, 2007; Harman, 2015). Areas of normative ethics of this

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type include ethical relativism, where social traditions, opinions, and circumstances define ethical principles, as well as postmodernism.

Postmodern ethics originated from the work of Bauman (1995), who induced a rethinking of morality (Gray, 2010). Postmodernism refers to a complex set of philosophical assumptions, most of which reject modern philosophical systems that promote the idea of rationality, positivist science, human progress, and the promotion of liberal values (O'Sullivan & Philip, 2002). It thus rejects truth theories, categorical analyses, and the critique of reason itself as a positive guide for human life (O'Sullivan & Philip, 2002). In the postmodern view, there are no absolutes of any kind, and there are no universal truths, nor universal criteria for beauty, nor are there universal principles of the good. Thus, there is a return of relativism in the sphere of morality; everyone has an ethical perspective shaped by their narrative, upbringing, and experiences (O'Sullivan & Philip, 2002). Since this study aims to understand an individual's actions based on their ethics, postmodernism helps explain why each person acts as they do, taking into account their perspective and ethical beliefs.

Bauman (1995) insisted that the business of ethics is transacted on murky grounds by humans; life is messy; human behaviour is not orderly or predictable in the way of rational decision-making. Gray (2010) suggests that central to Bauman's ethical theory, following the philosophy of Lévinas, whom Bauman regards as the first postmodern ethicist, is the notion of moral responsibility (Gray, 2010). Further, according to Gray (2010), this morality precedes or transcends being, and as Bauman (1995) suggests, there can be no being without morality; there can be no being without moral responsibility. According to Bauman (1995), "Morality is before ontology...

Moral relationship comes before being” (Bauman, 1995, p. 71). Importantly, for Bauman (1995), morality originates from within the human being and cannot be socially engineered or externally imposed. In summary, postmodern ethical theory best describes the actions of SMLs in cannabis companies, whose actions may be rooted in an individual’s internal moral compass shaped by past experiences.

2.3.3 Applied Business Ethics

Business ethics refers to the principles, values, and standards that guide business behaviour, ensuring that decisions and actions align with moral and societal expectations. It involves applying ethical reasoning to business practices, addressing issues such as fairness, transparency, accountability, and respect for stakeholders, including employees, customers, shareholders, and the broader community (George, 2011). Applied business ethics involves the practical application of these principles in specific business contexts, such as CSR and marketing (George, 2011). Within this domain, marketing serves as the function where ethical principles are operationalized through concrete, stakeholder-facing activities, primarily for the purpose of influencing consumers (Kotler & Keller, 2016). Marketing then refers to the coordinated set of activities by which organizations create, communicate, deliver, and exchange offerings that have value for customers and society. These activities encompass a wide range of actions designed to identify and reach target audiences, including advertising, promotion, public relations, and digital engagement (Kotler & Keller, 2016). In practice, marketing actions may include traditional methods such as flyers, coupons, print and outdoor advertising, as well as digital strategies such as social media campaigns, influencer partnerships, and search

engine optimization. Together, these efforts shape consumer awareness and behaviour across multiple touchpoints (Kotler & Keller, 2016).

According to Joyner and Payne (2002), companies engage in ethical practices either out of genuine intent to do the right thing or with Machiavellian motives. Beer companies, for example, strategically promote responsible consumption to demonstrate their ethical commitment to stakeholders.

In summary, values, defined as enduring personal beliefs, shape individual priorities; morals reflect shared societal standards of what is considered “good” or “bad”; and ethics provide rules for action. These concepts underpin business decisions, such as applied business ethics (CSR and ethical marketing). Next, a discussion follows on how factors shape these concepts, highlighting their impact on ethical decision-making.

2.4 Factors and Ethical Decision Making

This section focuses on several factors influencing managers’ values and ethics when making business decisions. Empirical insights from Tsalikis and Fritzsche’s (2013) literature review on marketing ethics identify key contributors to unethical marketing actions, building on Baumhart’s (2017) observation that marketing inherently offers opportunities for unethical behaviour. They highlight:

- **Ethical Climate:** Managers’ decisions are shaped by their organization's ethical climate.
- **Pressure to Compromise:** Managers frequently face pressure to prioritize corporate objectives over their own ethical standards.
- **Self-Interest:** Managers may act unethically for personal or corporate gain.

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- CEO Influence: Unethical practices persist unless CEOs enforce penalties, reinforcing the role of leadership in EDM. Influencing factors drive unethical behaviour: Intrapersonal (e.g., sex, personality), interpersonal (e.g., customer types), organizational (e.g., span of control, supervision), and environmental (e.g., economic conditions).

Furthermore, after reviewing 93 studies on the topic, Ford and Richardson (1994) grouped the factors that influence managers' ethical decisions into three broad categories: individual, organizational, and situational. Certain factors, such as religious affiliations, working in a competitive environment, and Machiavellianism, show a high correlation between ethics and decision-making. For instance, religious affiliation often leads to higher ethical standards, whereas increased peer pressure can result in unethical decisions. Other factors, such as age, sex, position, and tenure, show little or often conflicting correlations with ethical decision-making. Table 3 summarizes their findings.

Table 3 - Factors Influencing Ethical Decision Making (Ford & Richardson, 1994)

Category of Factor	Factor	Findings
Individual	Religion	Strength of religious belief was significantly and positively related to strength of ethical standards
	Sex	Inconsistent finding, with some studies reporting that females are likely to act more ethically than males in some cases
	Nationality	Inconsistent finding: There was no correlation based on nationality and ethnic background
	Age	Youth are more ethically aware, and their decisions are more ethically guided than older employees

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	Type of education	Business students are less ethical than non-business students in decision-making
	Length of education	Inconsistent finding: There was no correlation between length of education and ethical decision-making
	Length of employment	Inconsistent findings: There was no correlation found between tenure and impact on ethical decision-making
	Machiavellianism	Common across reviewed studies, those who espouse a Machiavellian view do not emphasize ethics in decision-making
	Personality beliefs and values	Economic values orientation is positively correlated to ethical decision making.
	Locus of control	Internal company control correlated with ethical decision making.
	Role conflict and acceptance of authority	Inconsistent findings: Accepting authority of superiors not correlated with ethical decision making
Situational	Peer group influence	More peer pressure makes leaders more likely to decide outside of ethical beliefs
	Top Influence from Managers	The more managers act ethically, the more likely others will follow suit
	Reward and sanction	The more recognition for ethical behaviour, the more ethical the decision-making
	Codes of conduct	The more documented, the more ethical the decision-making
	Type of ethical decision	Nature of ethical issue impacts the type of ethical decisions made
Organization and industry Factors	Organizational effect	The more ethical the company operates, the more ethical the employee
	Organization size	Large organizations are more likely to accept gifts. Small companies are more likely to act unethically as they perceive the need to stay competitive

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	Level in organization	Inconsistent findings: The level of job in an organization not correlated to ethical decision-making
	Industry Type	Inconsistent findings, the studies reviewed were not conclusive and broad.
	Business competitiveness	The higher the competitiveness in the industry, the less likely an ethical decision is made.

Since Ford and Richardson (1994), several studies have examined factors influencing ethical decisions. Loe et al. (2000) confirmed the significance of individual factors (e.g., moral philosophy, education), situational factors (e.g., organizational climate, peer influence), and organizational factors (e.g., ethical climate and managerial roles). O’Fallon and Butterfield (2005) reinforced Ford and Richardson’s findings on individual factors and situational, while highlighting a new factor, industry-specific ethics. Craft (2013) added ethical leadership and cultural values. Lehnert et al. (2016) added the impact of technology on EDM.

Finally, given the numerous factors that influence decision-making, Ford and Richardson (2014) noted that not all factors have a meaningful impact. Therefore, it is helpful to reclassify factors using Öberseder et al.'s (2011) basic three classifications: core, central, and peripheral factors. Core factors are fundamental and exert frequent influence on decision-making. Central factors are important and often play a role in shaping decisions. Peripheral factors, while less influential, help explain why certain decisions are made in specific contexts.

It is not known which, if any, of the factors mentioned above influence the EDMs of SMLs, as those studies focused on large businesses. It is also unclear whether new factors are present in the cannabis industry in Ontario or if new factors have emerged

since Ford and Richardson (1994) and subsequent studies. Ultimately, it remains unclear whether any of these factors has an impact on cannabis SMLs' ethical decision-making.

2.5 Ethical Decision-Making Frameworks

Ethical decision-making frameworks (EDMF) offer structured guidance for individuals and organizations facing moral dilemmas, including those in marketing. Marketing decisions are a form of applied business ethics, as discussed in Section 2.3.3, which explores how moral standards influence marketing choices and behaviour (Ferrell & Ferrell, 2016). Laczniaik and Murphy (2006) emphasize the importance of ethics in decision-making within advertising and stakeholder communication. Additionally, according to Laczniaik and Murphy (2019), marketing activities are the main way organizations engage with stakeholders, acting as a bridge between organizations and external stakeholders, making marketing and corporate social responsibility (CSR) two sides of the same coin (Laczniaik & Murphy, 2019). There are diverging views on whether SMLs make ad hoc decisions or rely on EDMF. Some studies indicate that SMLs frequently make decisions on the fly, relying on intuition and responding to immediate issues rather than adhering to structured EDMF. Research supports that ad hoc decision-making is prevalent in SMBs due to resource constraints and the personal influence of SMLs. For example, Ghezzi and Cavallo (2020) found that managers often adopt an “absence-of-strategy” approach, making intuitive decisions without formal planning due to limited resources and time pressures. Gibcus et al. (2009) identified that 50% of small business entrepreneurs rely on informal decisions, with “Daredevils” and “Lone Rangers” bypassing structured models in favour of personal experience. Gopaul

and Rampersad (2020) observed that SMLs lean on social networks and personal judgment for quick decisions in volatile markets.

Other studies suggest that SMLs, while resource-constrained, sometimes adopt EDMF, such as Hunt and Vitell's (1986, 2006) General Theory of Marketing Ethics, to resolve ethical marketing dilemmas, especially when facing stakeholder scrutiny or complex ethical dilemmas. Both Jenkins (2006) and Spence and Rutherford (2001) suggested that SMBs should adopt structured EDMF when addressing CSR-related issues, and Neubaum et al. (2004) showed that family-owned SMBs with a strong ethical orientation sometimes implement formal EDMF.

For leaders opting to use a formal EDMF, several have been proposed over time. For example, Trevino (1986) developed the Person-Situation Interactionist Model, which suggests that ethical decision-making results from the interaction of individual factors and situational factors. Ferrell and Gresham (1985) developed the Contingency Framework, which identifies three categories of factors influencing ethical decisions, namely individual, significant others (e.g., peers, superiors), and opportunity (e.g., codes of conduct, rewards). Jones (1991) developed the Moral Intensity Model, which introduced moral intensity as a key determinant in EDM, arguing that issue characteristics (e.g., magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, concentration of effect) influence ethical decision-making. Hunt and Vitell (1986, 2006) developed the General Theory of Marketing Ethics, presented as a "process model" (Hunt & Vitell, 2006, p. 144). It describes how marketers navigate ethical dilemmas and decisions by integrating deontological and

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teleological perspectives, suggesting that ethical decisions in marketing stem from personal, cultural, and organizational factors. Cavanagh et al. (1981) also developed an ethical decision-making tree to help managers evaluate the ethical implications of their actions. The Cavanagh et al.'s (1981) framework deems an action to be ethical if it incorporates utilitarianism (optimizing outcomes for stakeholders), moral rights (respecting the rights of all parties), and justice (adhering to legal and fair standards). Markkula (2021) developed an EDMF that integrates utilitarian, common good, virtue, and care ethics, emphasizing the need to evaluate the impact of decisions on all stakeholders. The frameworks discussed above are summarized in Table 4.

Table 4 - Summary of EDM Frameworks

Framework	Author	Main theory
Person-Situation Interactionist Model	(Trevino, 1985)	Interaction of individual factors and situational factors
Contingency Framework	(Ferrell & Gresham, 1985)	Identifies three antecedents influencing ethical/unethical decisions: individual factors, significant others and opportunity
Moral Intensity Model	(Jones, 1991)	Moral intensity as a determinant, based on issue characteristics
General Theory of Marketing Ethics	(Hunt & Vitell, 1986)	Integrates deontological (duty-based) and teleological (outcome-based) evaluations; considers personal, cultural, and organizational factors influencing perceptions, judgments, and intentions. Presented as a process model.
Ethical Decision-Making Tree	(Cavanagh et al., 1981)	Incorporates utilitarianism moral rights, and justice

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Markkula Framework	(Markkula, 2021)	Integrates utilitarian, common good, virtue, and care ethics lenses; emphasizes stakeholder analysis.
Ad hoc method	(Ghezzi & Cavallo, 2020)	Managers adopt an “absence-of-strategy” approach, relying on intuition, personal experience, social networks, and situational cues; prevalent in SMBs due to resource constraints, dynamic environments, and personal influence of SMLs; 50% of small business entrepreneurs use informal, heuristic-driven decisions.

In summary, managerial decision-making in ethical situations does not occur in a vacuum. Rather, it is shaped by a range of factors that influence how managers perceive problems, weigh alternatives, and decide (Trevino, 1986). As outlined by Ford and Richardson (1994) in their comprehensive literature review, these influences can be grouped into three broad categories. Individual factors such as age, education, locus of control, and level of moral development shape a manager’s ethical orientation. Organizational factors such as corporate culture, ethical climate, and peer norms influence decisions within companies’ social and structural contexts. Finally, situational factors, such as the moral intensity of the situation or proximity to affected stakeholders, introduce situational nuances that can heighten or diminish the weight of the decision. These factors affect how ethical issues are recognized, framed, evaluated, and translated into action, resulting in decisions that either align with or depart from societal morals and norms (Ferrell & Gresham, 1985; Jones, 1991; Trevino, 1986).

2.6 Applied Business Ethics and Managerial Discretion

In [Figure 1](#), the chart illustrates how values, ethical standards, and underlying factors inform EDM. This section examines EDM in newly formed and small businesses, where ethics and values drive applied ethical business practices (business decisions) related to CSR and stakeholder prioritization through the lens of stakeholder salience.

2.6.1 SML Impact on Ethical Decision Making

Business decisions are made by managers, impacting stakeholders inside and outside the organization. This is especially true in new and small businesses, where the ethics and decisions of the leader are inseparable from the organization (Carr, 2003; Fuller & Tian, 2006). According to Hayes (2021), an entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. Entrepreneurs must make decisions in highly uncertain conditions (McCormick et al., 2018) and are likely to be rewarded with profits by acting on opportunities that others overlook (Vallaster et al., 2019). Entrepreneurs make decisions in situations with limited information and outcome uncertainty (Busenitz & Barney, 1997). However, entrepreneurship may have a dark side (Zhang & Arvey, 2009), and entrepreneurs may be rule-breakers who push boundaries without considering all ethical issues or the impact of their actions on all stakeholders (Bhide, 1996). This is a result of entrepreneurs facing factors such as scarce resources, including financial resources, personnel, understanding of legal requirements, and sound economic frameworks (Vallaster et al., 2019).

Typically, entrepreneurs make decisions based on their values, which shape the culture of the firm (Payne & Joyner, 2006; Vallaster et al., 2019). Small businesses

(SMB) are companies where management and owners exert significant influence over the values, culture, and practices of the company (Baumback, 1988; Jenkins, 2006; Marens & Wicks, 1999). An SMB is often defined by its size, typically having fewer than 50 employees. Furthermore, small businesses often exhibit qualities such as a small market share, not being dominant in their field, and being local in their operations (Baumback, 1988; Fillion, 1990; Sen & Cowley, 2012). SMBs are generally managed by the owner, who is the leader and primary decision maker. A company's structure is often simple, and its financial health is dependent on the leader and their direct involvement in allocating resources (Vyakarnam et al., 1997). Further, given their simple structure, communication and work relations between staff and owners tend to be informal (Russo & Tencati, 2009; Spence et al., 2003), and the absence of formal ethical frameworks with clear guidelines and standards for employees to reference is common (Neubaum et al., 2004).

2.6.2 SMB and CSR

Freeman (1984) is often cited for developing one of the broadest definitions related to managerial discretion, corporate social responsibility (CSR), and stakeholders. Freeman (1984) urges managers to “take into account all of those groups and individuals that can affect, or are affected by, the accomplishment of the business enterprise” (p. 25), defining stakeholders as “any group or individual who can affect or is affected by the achievement of the organization's objectives” (p. 46).

In SMBs, business is inherently personal, with leaders often directly engaging with customers and the community (Fuller & Tian, 2006). This closeness leaves little room to hide mistakes, amplifying the influence of local stakeholders on perceptions of

CSR (Spence, 2007). However, SMBs typically lack the resources for strategic, long-term CSR planning, leading to informal, ad hoc responses to social needs (Spence, 2007; Gómez-Mejía et al., 2007). The personal ethics of SMB leaders are inseparable from business practices, shaping responsible actions based on their individual ethos (Carr, 2003; Fuller & Tian, 2006). Negative stakeholder interactions can significantly impact SMBs due to their transparency and proximity (Spence, 2007). Yet, consensus on SMLs' CSR involvement remains elusive. Some argue entrepreneurs have underdeveloped CSR practices (Srivastava et al., 2024), while others suggest SMBs rarely prioritize CSR due to limited knowledge or owners' focus on daily operations (Hitchens et al., 2005; Petts et al., 1999; Gerstenfeld & Roberts, 2017; Hunt, 2000). Additionally, SMBs tend to direct fewer CSR efforts toward local communities compared to customers and employees (Curran et al., 2000; Thompson & Smith, 1990).

Some studies highlight that SMBs engage deeply with local communities, often more directly and impactfully than larger national or global firms (Mankelow, 2003). This stems partly from their reliance on local employees, tying their success to community health and stability (Mankelow, 2003). SMBs tend to prioritize community stakeholders over larger companies (Mankelow, 2003). Key drivers of CSR in SMBs include non-economic factors such as altruism (Schulze et al., 2001), stewardship, and socio-emotional wealth (Eddleston & Kellermanns, 2007; Gómez-Mejía et al., 2007), as well as a general inclination toward CSR (Re & Giachino, 2018). CSR helps SMBs monitor community impact, address social issues, enhance employee welfare, and strengthen stakeholder relationships, fostering social capital (Maple et al., 2015; Re &

Giachino, 2018; Risso, 2012; Putnam, 2000). Additionally, CSR builds goodwill and “symbolic capital” with stakeholders (Bourdieu, 1993).

CSR scholars argue that companies have a responsibility to society as a whole, Carroll (1979) and Wood (1991) linked this to the principle of managerial discretion, which holds that managers are moral actors who exercise their discretion to achieve a socially responsible outcome.

According to Carroll (2016), who developed the CSR pyramid shown in Figure 7, “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (p. 2).

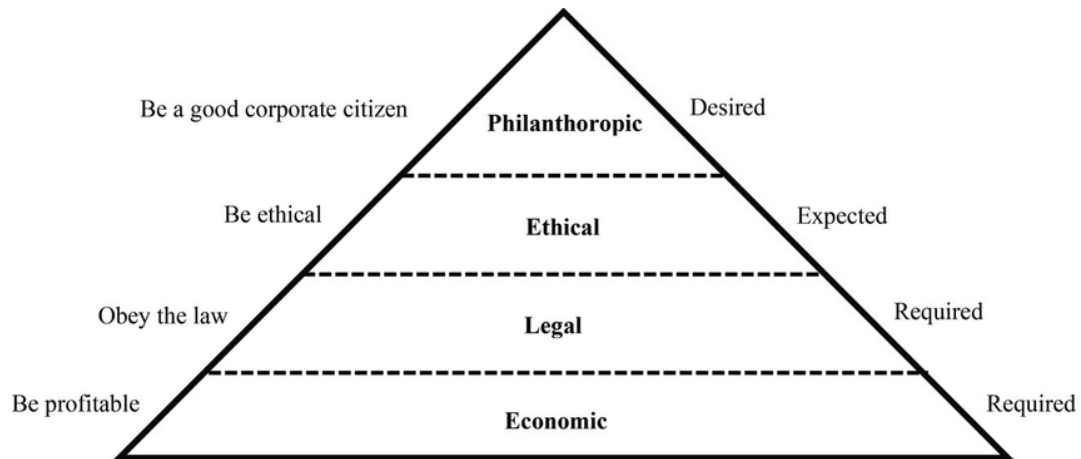


Figure 7 - Carroll's Pyramid of CSR (Carroll, 2016, p.5)

Economic responsibility is a fundamental requirement, as Carroll (2016) suggests that society expects businesses to be profitable. Legal responsibility is another societal requirement, and according to Carroll (2016), companies must adhere to laws and regulations that reflect society's view of “codified ethics.” In addition, while Carroll and Brown, (2018) suggest that ethics permeates the whole system and is part of every step,

still Carroll (2016) suggests that businesses are expected to operate ethically; this means that business has the “expectation, and obligation, that it will do what is right, just, and fair and to avoid or minimize harm to all the stakeholders with whom it interacts” (p. 3). It is important here to note that ethics differs from the legal requirements in that the ethical expectation is that business will be responsive to the “spirit” of the law, not just the letter of the law or, in the absence of laws, to “anticipate future laws” (Carroll, 2016, p.6), and to embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law.

2.6.3 Stakeholder Relations and SMBs

Freeman (1984) introduced the concept of interconnected relationships between businesses and various stakeholders, including customers, employees, shareholders, and communities. For SMBs, survival and growth hinge on strong, direct ties with a broad range of stakeholders (Spence et al., 2003). However, addressing all stakeholder needs is impractical, prompting the question: which stakeholders matter most? Mitchell et al. (1997) provide a seminal framework for stakeholder prioritization through "stakeholder salience," defined as the degree to which managers prioritize competing claims (p. 854). Reviewing 20 studies, Mitchell et al. (1997) identified three key attributes determining salience: power (control over valued resources), legitimacy (social acceptance), and urgency (time-sensitive or critical claims). These socially constructed attributes, rooted in perception, dictate which stakeholders command attention, with all three typically needed for managers to act. Mitchell et al. (1997) classify stakeholders into eight categories based on combinations of these attributes, allowing dynamic shifts in prioritization over time. For instance, in the cannabis industry, regulators (high power, legitimacy, urgency)

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often outrank local advocacy groups (lower urgency). Other salience frameworks, such as Clarkson's (1995), define primary stakeholders (e.g., customers, employees, communities) as essential for managers to attend to, while secondary stakeholders (e.g., media, special interest groups) receive lower attention.

Community members impacted by corporate actions can extend to non-human stakeholders, such as the environment (Clark, 2015), or to the least powerful, namely those labelled as "discretionary stakeholder" by Mitchell et al. (1997), who have legitimacy but no urgency or power. An example of a discretionary stakeholder in the cannabis industry is youth, as they have a legitimate demand for protection but no urgency or power to have that demand met. Philanthropy and charitable contributions, which enhance stakeholder trust (Marens & Wicks, 1999), are most likely to enhance discretionary stakeholder well-being, aligning with Carroll's (1991) view of discretionary corporate social responsibility.

Therefore, in SMBs, SMLs' values drive decisions impacting stakeholders through CSR. Mitchell et al.'s (1997) stakeholder salience framework ties this together by explaining how managers prioritize stakeholders based on power, legitimacy, and urgency, ensuring ethical decisions align with those most critical to the firm's survival and community ties. CSR in SMBs, shaped by personal ethos and resource constraints, becomes a practical application of business ethics, balancing economic, legal, ethical, and philanthropic duties (Carroll, 2016).

2.7 Summary

This chapter presents a comprehensive literature review within the context of the cannabis industry, with a particular focus on Ontario, Canada. The theoretical framework for this study was established in section 2.1 and identified the research gap relating to the factors that influence cannabis SMLs when making ethical decisions. This research framework was further elaborated on in the subsequent sections. In Section 2.2, an overview of the cannabis industry, literature on marketing practices, and Ontario's unique market dynamics were explored. Ontario's open licensing model, along with the regulatory framework and market conditions, was presented.

Section 2.3 defined values, ethics, morals, and business ethics. The exploration of ethical theories, meta-ethics (moral relativism), normative ethics (teleological, deontological, and postmodern perspectives), and business ethics highlighted the diverse lenses through which SMLs approach ethical dilemmas, particularly in a morally ambiguous industry like cannabis (Bauman, 1995; Wernaart, 2021)

Section 2.4 reviewed the various factors that influence ethical decision-making, categorized as individual, organizational, and situational (Ford & Richardson, 1994), which were shown to shape SMLs' decision-making process. These ethical decision-making processes were further defined in section 2.5, either being ad hoc (suggesting their use in SMBs due to limited resources and under regulatory or stakeholder pressures) or using structured EDM frameworks such as the General Theory of Marketing Ethics (Hunt & Vitell, 1986).

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Finally, in section 2.6, the discussion of managerial discretion underscored the pivotal role of SMLs in translating personal values and ethics into applied business ethics, such as CSR and stakeholder prioritization, using frameworks such as Carroll's CSR Pyramid (2016) and Mitchell et al.'s (1997) stakeholder salience model.

Chapter 3. Methodology

3.1 Introduction

Research related to business ethics, according to Reinecke et al. (2016), is conducted with the assumption that economic value is one of many important elements that merit the consideration of scholars and that they must be weighed against others, such as justice, fairness, respect for persons, legal compliance, environmental sustainability, and integrity in markets and business. With that in mind, this research is a qualitative study that focuses on understanding the factors influencing an SML's ethical decision-making. This research explores this topic using the cannabis industry in Ontario, as the focus, given that it is Canada's most populous province, with the largest number of cannabis shops and unique licensing model.

3.2. Research Design

According to Reinecke et al. (2016), qualitative research methods enable us to track new phenomena in real time, suggesting that qualitative observations facilitate an understanding of how actors make sense of new business challenges, thereby allowing us to comprehend complex phenomena. To better define the research design of the study, the “research onion,” as described by Saunders et al. (2019, p. 130) and illustrated in Figure 8, serves as a guide to explain the research design and methods employed in this study.

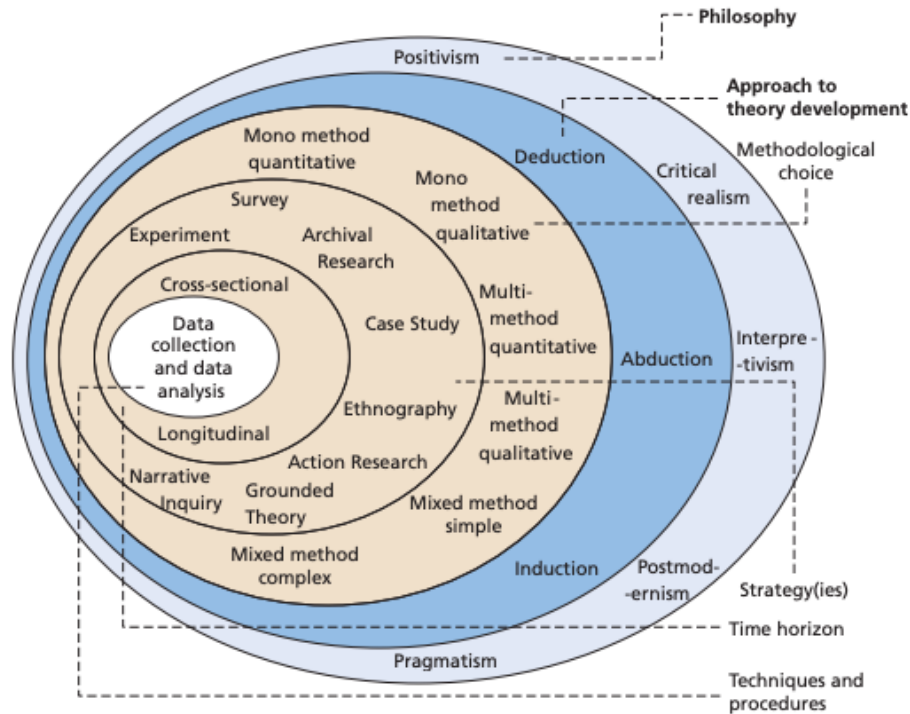


Figure 8 - Research Onion - Saunders et al. (2019, p. 130)

3.2.1 Ontology and Epistemology

Ontology refers to the philosophical stance we take regarding the nature of reality and our understanding of it, such as realism (an objective reality exists) and relativism (reality is subjective and context-dependent) (Pathiranage et al., 2020). Ontology shapes the choice of research paradigm in a study, as illustrated in the research onion's philosophy layer, which encompasses five key paradigms: pragmatism, postmodernism, interpretivism, critical realism, and positivism (Saunders et al., 2019). Pragmatism focuses on practical outcomes and blends methods to address specific research problems, which this study does not do because it emphasizes understanding subjective meanings rather than solving practical issues. Postmodernism challenges universal truths and

traditional structures and, as such, does not align with this research's aim to interpret a new social reality (Saunders et al., 2019). Critical realism, which emphasizes the interplay between observable phenomena and underlying mechanisms, is unsuitable for this research as it requires a deeper investigation into causal relationships, which fall beyond the scope, purpose, or research question (Saunders et al., 2019). Positivism, with its reliance on measurable data and objective realities, was dismissed as it does not accommodate the exploration of subjective experiences (Saunders et al., 2019).

Interpretivism was chosen because it aligns with the study's purpose, which is to explore and interpret social contexts through the subjective perspectives of participants, thereby enabling a nuanced understanding of their lived experiences (Saunders et al., 2019). Interpreting interview data as a method is common in similar exploratory studies (Cherneski, 2018; McLain, 2021; Shelley-Ann, 2021). Interpretivism also aligns with my perspective, as I lean towards a social constructivist philosophy, as described by Pathiranage et al. (2020). I do not believe in a pre-existing reality; instead, I believe that reality is socially constructed and given meaning by people and their experiences. This perspective aligns with the research's focus on exploring the factors that influence how leaders make ethical business decisions.

3.2.2 Epistemology - Interpretivism

Interpretivism⁶ uses qualitative techniques and considers multiple realities (Miles & Huberman, 1994). Studies based on interpretivism emphasize the subjective aspects of

⁶ Sometimes referred to as phenomenology. It is important here to mention that phenomenology as a philosophy is a larger category compared to phenomenology as a research method, which Merriam and Tisdell (2018) suggest that all qualitative research methods are phenomenological.

human activities by focusing on the meaning, rather than the measurement, of social phenomena (Merriam & Tisdell, 2018). Hence, interpretive research takes account of the contexts of phenomena and uses this contextual understanding to interpret data. Therefore, interpretivism understands that people use different perspectives and experiences to understand cultural existence and explore ideas and opinions, thereby gaining insight into various realities (Angen, 2000).

The purpose of interpretive research is to create new, richer understandings and interpretations of social worlds and contexts (Saunders *et al.*, 2015). It is also used, as Orlikowski and Baroudi (1991) suggested, to “understand phenomena through accessing the meaning that participants assign to them” (p. 5). Interpretive research posits that reality is socially constructed, meaning that new contexts, such as culture, industry, people, and events, shape and influence our understanding of reality. Therefore, truth cannot be grounded in objective reality, as it may vary across contexts (Eriksson & Kovalainen, 2008). Finally, interpretive researchers do not expect to arrive at a single, fixed explanation of what occurs in a study; instead, a study will offer more than one explanation and discuss which is stronger based on the evidence that supports it.

For business and management researchers, this means examining organizations from the perspectives of different groups of people and attempting to account for this complexity by collecting data that is meaningful to their research participants (Saunders *et al.*, 2015). Since the aim of this study is to explore the factors that influence ethics and behaviour in decisions made by SMLs and given the subjective nature of the research question (ethics, factors, decision-making), these topics are not easily measured using a

positivist view. First, positivism relies heavily on objectivity, thereby dismissing the importance of individuals' subjective experiences and values (Y. S. Park et al., 2020). Second, positivism is rigid and prescribed and does not allow for a rich collection of individual data to be captured and analyzed (Y. S. Park et al., 2020). Hence, the interpretive paradigm is ideal for this study, as it enables a deep exploration of the factors influencing ethics and behaviour in business decisions by SMLs, capturing the subjective meanings, values, and contextual nuances that shape their decisions. By prioritizing the lived experiences and perspectives of SMLs' contexts, interpretivism facilitates a rich, multifaceted understanding of how ethical considerations and behaviours emerge, aligning directly with the study's purpose.

According to Munkvold and Bygstad (2016), interpretive research exhibits several characteristics, as summarized in columns one and two of Table 5. Column three outlines how these characteristics are reflected in the design and implementation of the present study.

Table 5 - Characteristics of Interpretive Research (Munkvold & Bygstad, 2016)

Characteristic	Description	Study design
The interview sample should include all available stakeholders of the case	The interview sample should consist of all available stakeholders relevant to the case or noted in the study	Invited leaders could be owners or managers, actively running the business and involved in the execution of marketing campaigns
Data triangulation is not required	It is not required in interpretive research as that assumes there is an objective reality to uncover, which is not what interpretive research is about. However, reviewing	In this study, SML interviews are the primary data source; marketing artifacts were also used to add contextual detail where appropriate.

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	more than one data source may be an aid	
Researcher bias is unavoidable	Researcher bias is unavoidable in interpretive research as one must interpret the data. Acknowledging researcher bias does not preclude taking a 'neutral' stance.	In this study, a reflexive stance was adopted, being transparent about my role and assumptions, and taking care not to present myself to participants as aligned with any particular cause or group.
Multiple case studies are used for learning, not proving or verifying hypotheses	In an interpretive study, according to <u>Munkvold and Bygstad (2016)</u> , the primary rationale for studying several cases is to gain a deeper understanding of the phenomenon in different settings and document potentially varying results based on interactions with contextual influences.	A multiple case study is used to conduct this research and highlights similar, varied and contradictory data
Research triangulation is not required	The primary goal of research triangulation is to mitigate the impact of researcher bias. However, interpretive research allows for research bias. It is open to having more than one person conducting data analysis, but then as a source for identifying and discussing multiple interpretations of the data.	Given that this study is undertaken for doctoral research, secondary interpretation of the data is not possible
Cross-case analysis is used to find contrast	An interpretive perspective contrasts findings as a basis for identifying multiple interpretations of the studied phenomenon.	Cross-case analysis of the data was conducted.
Reliability and validity are not valid concepts in interpretive research	According to <u>Munkvold and Bygstad (2016)</u> , reliability and validity are positivist concepts that are integral to research designs aimed at achieving objectivity and replicability. Interpretive research uses concepts such	Not used

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	as credibility and authenticity.	
Feedback from informants used to enrich the findings	In positivist research, informant feedback is used to validate and verify factual information, while in interpretive research, it is used to enrich the description. In interpretive research, informants' interpretations of the findings can be an integral part of the research design (Bygstad & Munkvold, 2011).	Informants are required to verify the interpretation of the data if they are willing to do so
Discuss multiple interpretations of the findings	The aim of interpretations is a key distinguishing characteristic of interpretive research, and multiple interpretations are encouraged.	Data is interpreted in more than one way when the possibility arises.
Conclusions as predictive models or frameworks are not required	Interpretive research can result in implications intended to be relevant for future research and practice. These are not presented as predictions but rather as 'tendencies' which may or may not play out in future situations (Walsham, 1995)	Models or frameworks are created if the opportunity arises from the data.

3.2.3 Approach to Theory Development

With interpretive philosophy as the foundation for the study, the next topic to consider is the approach. There are three different approaches one can take: deductive, abductive, and inductive (Saunders *et al.*, 2015).

Deductive research, typically associated with quantitative methods, involves starting with existing knowledge about a phenomenon to develop research hypotheses, which are then examined empirically in the next stage of the research project (Saunders

et al., 2015). Without further expansion on this approach, there is limited published information on this phenomenon, and this study is not aiming to develop or test hypotheses; therefore, this approach is discarded. In abductive research, known premises are used to generate testable conclusions. This approach utilizes data collection to identify themes and situate them within a conceptual framework, allowing for the testing of these themes. This approach is also positivist and is discarded (Saunders *et al.*, 2015). In an inductive approach, known premises are used to generate untested conclusions, and data are used to explore a phenomenon, identify themes and patterns, and create a conceptual framework. Due to its emphasis on the importance of subjective interpretations, the inductive approach is most likely to be informed by the interpretive philosophy approach used in this study (Saunders *et al.*, 2015). The method used will be described in further detail in Section 3.4 below.

3.2.4 Methodological Choice

3.2.4.1 Case study

There are several types of qualitative research methods, each intended to achieve a different objective (Merriam & Tisdell, 2018). These include historical analysis, biography, action research, narrative research, phenomenology, content analysis, grounded theory, ethnography, and case study. Furthermore, it is essential to recognize that, as Merriam and Tisdell (2018) suggested, combining two methods can be a viable approach to achieve a specific research objective when necessary. Before the start of the data collection phase, it was assumed that an interpretive case study approach would best fit the purpose of this study. However, this approach was abandoned in favour of a

qualitative interpretive interview protocol. The reasons for both the case study selection and the change to an interview protocol are outlined in the section below.

3.2.4.2 Case Study Selection and De-selection

Before the start of data collection, it was assumed that a case study approach would best fit the objectives of this research for the following reasons. In this section, the reasons for selecting a case study are presented, followed by a description of the participant identification method and the initial data obtained, which led to a change in method.

3.2.4.2.1 Case Study Selection

First, a case study facilitates the exploration of a phenomenon using a variety of data sources (Baxter & Jack, 2015). Second, a case study allows an in-depth investigation of a contemporary phenomenon within its real-life context (Stake, 1995; Yin, 2009). Third, case study research is well suited to studying individual and group behaviour in an organization (Yin, 2009). Fourth, a case study design is suited when “why” or “how” questions are being asked about a contemporary set of events over which the investigator has little or no control (Yin, 2009). Fifth, a case study is an in-depth analysis of a bounded system in a real-life context, where the boundary between the phenomenon and its context is not clearly defined. In such cases, a case study is appropriate because it is impossible to separate the case study from its context (Yin, 2014). Finally, according to Massis and Kotlar (2014), from an ontological interpretive point of view, a case study seeks to understand the human experience as knowledge is constructed through the creation of concepts, models, and schemes to make sense of human experience and is

continually interpreted and modified by the researcher, allowing us to present a fuller picture of the studied phenomenon (Kekeya, 2021).

A multiple case study with a single context was intended to be used, with each case representing a cannabis company operated by the SML as a small business in Ontario, Canada. This single context focused on marketing activities conducted in the past six months, as it allows for observing a marketing activity; yet, the circumstances related to how this marketing activity came about are still fresh in the SML's mind. The selected period aligns with Gioia et al. (2013), who emphasized the importance of collecting data that reflects recent and relevant organizational actions while ensuring that participant recall of events is accurate and reliable. Gioia et al. (2013) proposed a six-month timeframe as suitable for qualitative research in dynamic industries, as this timeframe balances recency with the need for reflective insights. The target companies were those that had conducted marketing targeting youth in any capacity, whether deliberately or not, directly or indirectly, using a third party, such as a social media influencer. Indicators used include the use of an appealing product name, packaging, child-friendly advertising design, language, images, and music, as per Canadian government legislation (Government of Canada, 2018).

In terms of the number of cases, Marshall et al. (2015) indicated that an average of 6-8 instances should be analyzed in a multiple-case study research project. Therefore, a sample size of up to 8 case studies was targeted. In terms of the number of interviews, Marshall et al. (2015) propose that a multiple case study typically includes between 20

and 30 interviews, suggesting that there is no reason to exceed 30 interviews in a study. Therefore, between 20 and 30 interviews were the target for this study.

3.2.4.2.2 Initial Observations

During the process of participant identification⁷, while visiting the companies' websites, several phenomena became apparent.

1. Companies used a similar service provider and mechanism (Pop) to age gate (Asking a visitor to confirm that they are older than 19 years of age). A pop-up age verification system is a user interface mechanism used on restricted websites to confirm the visitor's age before granting access to the website content. See [Appendix G](#)
2. Many of the websites used the same platform, called "Dutchie," to render their websites (Dutchie POS, n.d.), presenting a uniform and similar look, feel, navigation, and content. See [Appendix H](#).

The websites had minimal content outside of product information, primarily limited to an "About Us" and "Contact Us" page. In most cases, no advertising took place on the website, with advertising being conducted on social media websites, primarily Instagram.

3.2.4.2.3 Initial Interviews

As the initial eight interviews unfolded, it was observed that the following data were consistently collected about the marketing practices for cannabis in Ontario.

- 1) Cannabis websites have four functions. These functions are

⁷ A detailed description of the sourcing process is described in a later section, along with details on the interviewees, the store itself, etc.

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- a. To age-gate a visitor, a functionality provided by a handful of technology companies.
 - b. To inform potential clients/customers with sections such as “Welcome,” “About Us,” and “Contact Us” pages. Once again, these pages were provided by a handful of technology companies.
 - c. To present a product catalogue. In all cases observed, this was provided by one company named Dutchie (Dutchie POS, n.d.).
 - d. To list the company’s social media accounts, mainly Instagram.
- 2) They conduct limited marketing and generate a small amount of content, utilizing prepackaged cannabis web platforms that eliminate the need for in-house marketing teams.
- 3) The hierarchy of cannabis companies is relatively flat, and stores are typically run by the owners or a general manager who is directly involved in all aspects of operations, including marketing, in many cases, with the owner often handling the marketing function.

However, during the interview process, it became clear that due to the limited nature of marketing activities and the constraint of interviewing only one person per company, the initially proposed case study method, which involved multiple participants from each company and content analysis of marketing materials and online content, was deemed infeasible. Consequently, the research method was changed to an interview-only approach, where a single person from each company was interviewed until saturation was reached. This issue was brought to the attention of my supervisor and supervisory committee, and a meeting was held to discuss the matter. The committee concurred with

the recommendation, and an amendment to the original ethics approval was submitted to and granted by the REB, ensuring that the revised methodology adhered to ethical standards. A new ethics certificate was requested and granted on April 15, 2024.

3.3 Interview Method, Protocol and Data Collection

Ethical approval was obtained from the Athabasca University Ethics Board prior to data collection, confirming that the study met the institutional ethical standards for research involving human participants. The certification process consisted of two steps, as follows. On Feb 14th, 2023, the researcher was granted certificate number 0000910303 for TCPS2⁸ followed by ethical certification of the study by Athabasca University on February 20, 2024, with certificate number 25620.

The certificate was re-issued after the research proposal was updated to reflect the change of method. To that end, the expected number of interviews was updated to indicate a potential interview pool of between 20 and 25 participants. This was in line with Hennink et al. (2017), who proposed that code saturation could have been “reached at nine interviews, whereby the range of thematic issues was identified... 16 to 24 interviews were needed to reach meaning saturation where we developed a richly textured understanding” (p. 591).

3.3.1 Participant Identification

The process of data collection and analysis commenced using the method outlined in Figure 9 below.

⁸ TCPS2 certification the Course on Research Ethics based on the Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans (TCPS 2: CORE 2022).

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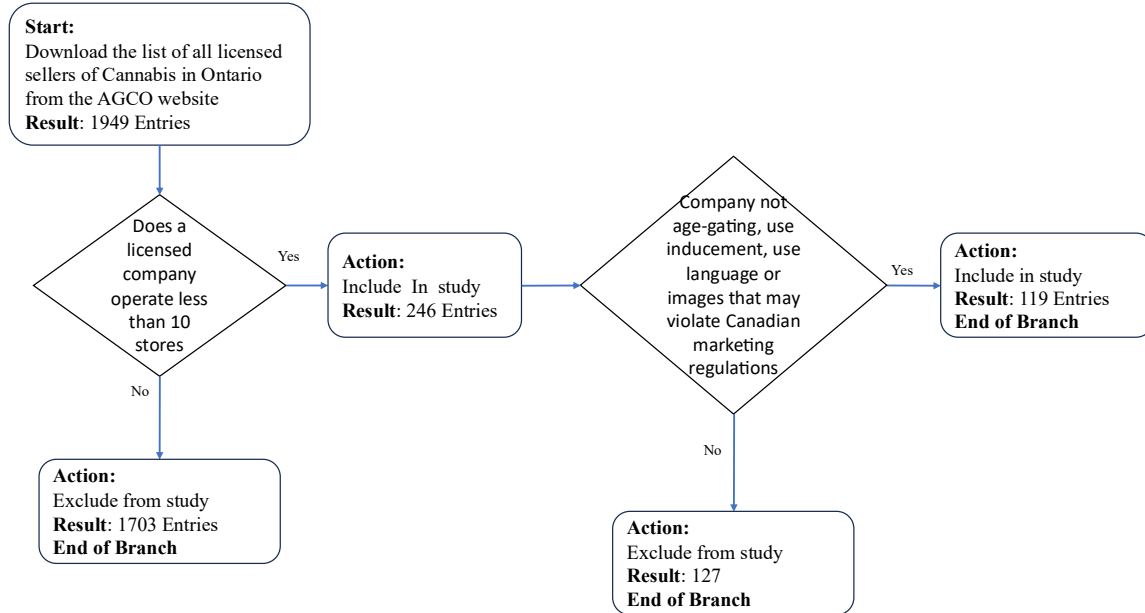


Figure 9 - Process of Selecting Candidate Companies for the Study

After receiving the necessary ethics approval and permissions from Athabasca University, as documented in the attached certificate ([Appendix C](#)), a list of licensed cannabis companies was downloaded on January 15, 2024, from the AGCO website, which included 1,949 licensed companies. Next, the following process of company identification was completed.

- 1) Companies with more than 10 stores were excluded from the list, as they did not meet the definition of a small business, according to Sen and Cowley (2012).
- 2) To ensure broad representation and avoid local or regional concentration of data, at least one company from each of Ontario's five regions were included in the insertion criteria, leading to a final list of 246 stores.

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- 3) A Google search was conducted using the company's name and location to extract the URL (web address) of the company. This step was necessary because it was not possible to determine the type of marketing they were conducting without a website.
- 4) A visit to each website, as well as its social media accounts, was completed. If any of the following were observed, the company was selected for the research.
 - a. The company did not use an age-gating mechanism on their website.
See [Appendix G](#).
 - b. The company presented a message or image that may be interpreted as violating marketing advertising rules, as outlined in Section 2.2 above; see [Appendix I](#) for sample ads and [Appendix J](#) for Branding guidelines. These included:
 - i. Using child-appealing branding (Use of cartoon characters, colours, emojis, images of young individuals, brand name or store display that appeal to children, etc.)
 - ii. Inducements (offer or discount)

The companies' names, websites, reasons for inclusion, and evidence were recorded in an Excel sheet.

This process resulted in a list of 119 cannabis companies selected that matched the case definition above. See Appendix D, which includes the company name and reason for inclusion. For each of the 119 selected companies, the contact email address was harvested from the company's website when available. Emails were then sent to

invite them to participate in the study, or via a "Contact Us" form available on the company's website.

3.3.2 Recruitment

Between February 20 and May 27, 2024, a three-step email sequence was followed. This method of invitation aligns with the email sequence method for qualitative research proposed by Gibson (2023). The initial email stated that the purpose of the study was related to stakeholder relations in the cannabis industry and to understand how cannabis leaders approach different stakeholders in society.

The invitation did not include the topic of marketing to youth, as it would risk biasing the response. As such, the invitation was classified under the “deception” method and approved as such by the ethics board. Deception is a method recommended for this type of research, as suggested by Christensen (1988) who argued that participants in deception-based studies generally do not feel harmed or distrustful afterward. Christensen (1988) also argued that deception is ethically acceptable and necessary for certain phenomena that cannot be studied otherwise.

The initial email described the study as exploring stakeholder relations in the cannabis industry to understand how cannabis SMLs approach different stakeholders in society, intentionally omitting the specific focus on marketing to youth to prevent participants from tailoring their responses to appear socially responsible, a phenomenon known as social desirability bias (Lavrakas, 2008). To ensure that answers were not vague, false, or self-incriminating, which would have risked not receiving answers to the research question, the questions prompted participants to discuss factors, industry

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dynamics, and marketing strategies relevant to all stakeholders. Participants were reassured that ‘no answer was wrong,’ and strict confidentiality and anonymity were guaranteed through informed consent processes, minimizing the risk of self-incriminating responses and encouraging honest, relevant answers.

The initial outreach consisted of an invitation email, followed by two reminder emails, a store visit or a phone call. The in-person visit was conducted if the location was within a 100 KM driving distance from Ottawa, where the researcher was based. In the first round, all 119 candidate companies received an email. In the second round, non-responsive companies were contacted again via email and phone. In the final (third) round, the remaining non-responsive companies were contacted via both email and phone calls. Overall, this effort included 207 emails, 93 phone calls, and 31 in-person visits.

Upon receiving a positive response (agreement to participate), the researcher scheduled an interview. In total, 26 interviews were conducted either in person, online or by email. Three of those interviews (one online and two in-person had two participants, making a total of 28 people interviewed.) Through the 26 interviews, a total of 26 companies were reached (Table 6).

Table 6 - Number of Interviews by Interview Method

Interview method	Company count	Participant Count
MS Teams	12	13
In Person	13	14
Email	1	1
Total interviews	26	28

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Further data collection was attained by asking participants to recommend other companies in the industry. Using this referral method is known as Snowball sampling (Parker et al., 2019), which, as suggested by Ting et al. (2025), is particularly helpful when interviewing subjects who may be reluctant to discuss an activity that is embarrassing or uncomfortable for them. Ting et al. (2025) suggest that the researcher ask for referrals to like-minded people so that the research can be conducted efficiently. However, it is essential to verify that referred participants are qualified to ensure the referrer has not influenced them and that their answers are not biased. The referring participants were asked not to disclose the nature of the study and confirmed that the referred interviewee was not briefed before the start of the interview.

Ultimately, the 26 interviews resulted from the following effort. Interviews as a result of email outreach = 12, interviews from in-store visits = 9, interviews as a result of phone calls = 3, and interviews as a result of a referral = 2.

3.3.3 Ethical Considerations

It is important to note that the email used to recruit the SMLs had:

- Adhered to the ethical guidelines approved by Athabasca University; the email is included in Appendix D.
- Highlighted the importance of the study to entice the SMLs to participate.
- Used diversion (Deception) and informed the participant that the focus of the study is stakeholder relations. This method was recommended to limit bias and the priming effect. Note: The candidates were fully briefed on the study after the interview was conducted, and their consent to participate was confirmed

following the interview by completing the release and consent form provided in [Appendix F](#).

- The candidates were informed that their personal information and the interview data would be anonymized, and their connection to the data would be removed.

3.3.4 Interview Protocol

The primary data collection method for this study was interviews, a common approach in qualitative research (Silverman, 2005). Interviews were conducted individually with each participant and recorded to ensure that their content was accurately retained (Schilling, 2006). The interviews were unstructured, which is well-suited for interpretive case study research. According to Jamshed (2014), an unstructured interview, which resembles a conversation, allows the interviewees to express themselves openly, freely, and without being biased by the questions (Hancock et al., 2021). Rather than being guided by the researcher towards an assumed outcome, the unstructured approach allowed participants to share unprompted perspectives shaped by their unique experience in the cannabis industry. Thus, the questions created served as an interview guide (Appendix B) and conversation starters. The questions reflect the research purpose, objectives and research question.

Schilling's (2006) recommendations for data gathering were initially followed by taking handwritten notes during the interview. Second, when the interviewee consented, the session was recorded to ensure that their content was accurately retained. This was done using Microsoft Teams when the interview was conducted online or an audio recording app when the interview was done in person.

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To ensure the interviewees provided bias-free answers and to limit social desirability bias, which is the tendency for interviewees to present answers aligned with what they perceive as socially acceptable (Bergen & Labonté, 2020), the following tactics were used based on the research conducted by Bergen and Labonté (2020) and King and Bruner (2000).

- It was ensured that the interviewees were informed of the researcher's affiliation with Athabasca University, emphasizing that the research was independent, without sponsorship or influence from any external person, organizations, or cause and that the researcher maintained a neutral stance.
- The data was confidential and anonymized.
- The interviewees were informed that all answers were valid and that there were no right or wrong answers, and were encouraged to speak freely.
- This study focuses on marketing and ethics rather than legal and regulatory compliance, and therefore, there should be no requirement to discuss issues related to the law.
- Using follow-up questions to ask for further explanations, using a story, or expressing how they feel about a specific topic.
- By asking indirect questions.
- By providing context to questions and follow-up questions.
- By asking about events that happened in the past or the behaviour of others when appropriate.
- Finally, the participants were informed that they could adjust their answers and provide their consent for the use of the content.

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There are three considerations when conducting interviews, as outlined by Schilling (2006). The first is whether to include dialect and slips of the tongue in the record, as these could contain valuable information. The recommendation is to record these and analyze them. This recommendation was adopted in this study as it may have provided added information and richness to the interview data. The second consideration relates to including observations made during the interview, such as pauses, sounds like “uhs” or “ers” (Schilling, 2006, p. 3), as well as audible and visual behaviour like coughing or the drumming of the fingers. The recommendation adopted for this study was to record these instances, as they could have contained valuable information to better understand the content of the answers (Mostyn, 1985; Silverman, 2005). Finally, the last consideration relates to the interview questions and whether they should be recorded, given that the interview is unstructured. The interview questions were recorded, if possible and permitted by the interviewee.

Other data collected included the marketing artifacts observed during the selection process, which could be retrieved from public sources, such as the company's website, social media posts, online ads, and in-store displays. During the interviews, ads provided by the SML, which could take the form of a design brief, promotional flyer, or email, were used by the SML or cannabis store within the six months preceding the interview. The content analysis of the data followed the method outlined below. Though the reliability of this research may be difficult to determine through the consistency of the results in the future, the following methods were used to ensure the research is reliable:

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1. All interviews were recorded and transcribed in full. This ensures no data loss and the ability to audit and verify the data by a 3rd party. An Excel sheet was used to record the store name and assign a number to each participant. For example, the first interview was named P1, followed by P2, and so on.
2. Interviews conducted via MS Teams were automatically transcribed, and the transcriptions were manually verified. Interviews conducted in person were recorded using an iPhone, and the recordings were uploaded to Microsoft Teams for transcription.
3. In the second stage, after the interview had been transcribed and verified, participants were offered the opportunity to review the transcript for accuracy. After the participant indicated satisfaction with the transcript, all personal data was removed, except for one exception⁹, and the file was labelled with a generic pseudonym matching the participant. For example, P1.docx for Participant 1¹⁰.
4. All participants were debriefed on the purpose of the study and informed about the reason for using the deception method, as stated in the email invitation. All participants were asked if they had any feedback for the interviewer and were then asked to sign the required confidentiality agreement, provide affirmative consent, and complete the informed consent agreement and debrief required by the University. A copy of these forms is included in Appendix F.

¹⁰ Mr. Chris Jones, owner of Cannabis Xpress, www.cannabis-xpress.com. Mr. Jones requested that his name be revealed for the record and for which he signed the appropriate release form. For consistency Mr. Jones will be identified in the rest of the document in a similar manner as the other participants and will be designated as Participant 1 P1.

5. Finally, the anonymized file was uploaded to the Dedoose software for analysis using the content analysis method described next. The use of Dedoose software for data processing ensures consistency and quality. This aligns with Huynh (2021).

3.4 Inductive Content Analysis

Content analysis is a method for examining written, verbal, or visual communication to derive valid inferences, offering knowledge, new insights, factual representation, and practical guidance (Elo & Kyngäs, 2008; Krippendorff, 2018). Given the limited prior knowledge of the phenomenon under investigation, this study adopted an inductive approach, which is suited to unstructured interviews. Through abstraction, inductive content analysis reduces and categorizes data into concepts, categories, or themes, enabling the development of meaningful insights (Kyngäs, 2020). This choice is further supported by Schilling (2006), who used the method to explore leadership factors among corporate leaders, demonstrating its versatility and relevance for investigating new contexts.

The analysis followed the systematic process outlined by Elo and Kyngäs (2008). This supports the current study by demonstrating the versatility of the inductive method in uncovering nuanced insights from qualitative data, aligning with the need to explore a new industry where prior data is not available. Inductive content analysis was achieved following the Elo and Kyngäs (2008) method as illustrated in Figure 10.

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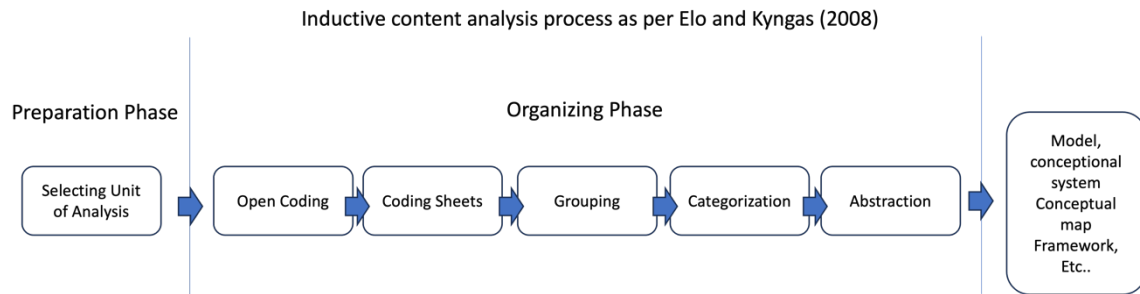


Figure 10 - Open Coding Process

- Preparation phase. Based on the guidance from Elo and Kyngäs (2008), the preparation phase of content analysis involves selecting a unit of analysis tailored to the research question, which can range from a single word to a theme or even broader units, such as sentences or paragraphs. For this study, the unit of analysis is defined as any combination of words, whether a paragraph, sentence, word, or sound, that conveys meaning, ensuring the inclusion of diverse responses from participants, as per Elo and Kyngäs (2008).
- Open coding is the process of carefully reading through transcribed data, line by line, and dividing it into meaningful analytical units. When meaningful segments are located, these must be coded (Elo & Kyngäs, 2008). Further, coding entails categorizing segments of data using a short name that simultaneously summarizes and accounts for each piece of data (Pieterse, 2020). This process was followed across all interviews and content samples extracted from websites, ads and social media posts. In total, 2381 data excerpts were identified, and 323 code applications were assigned. Given that a single excerpt could correspond to multiple codes, the total number of code applications was 6,403. This process ensured that all nuanced understandings and perspectives were captured.

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- Coding sheets: The headings created in the open coding steps are collected from the margins onto coding sheets, and categories are freely generated at this stage of content analysis (Elo & Kyngäs, 2008).
- After open coding, codes were organized into higher-order themes to reduce redundancy and capture broader patterns in the data (Elo & Kyngäs, 2008). The grouping process yielded 25 groupings and was guided by questions adapted from Hancock et al. (2021), including:
 - Which information from different sources can be grouped?
 - Which information from the same source can be grouped?
 - What arguments contribute to groupings?
 - How do various sources of information affect findings?
 - What information links different findings?
 - What information addresses different research questions or propositions?
 - Each unique perspective was represented once, even if it occurred multiple times across participants (e.g., one “A” for three occurrences, one “B” for two, one “C” for one), ensuring that diverse and exceptional views were fully captured.
- Categories: Through interpretation of which items are placed together in the same category (Elo & Kyngäs, 2008), 11 categories were derived from the data to provide a means of describing the phenomenon.
- Abstraction: Categories were further synthesized into overarching themes and conceptual structures, providing a framework to interpret factors influencing

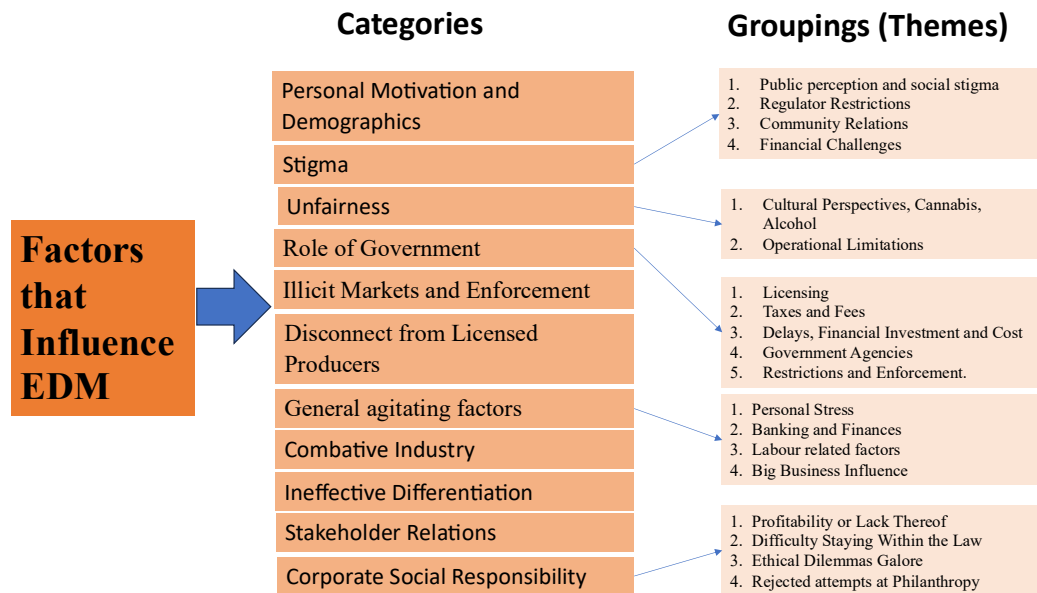
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SMLs' ethical decision-making. The abstraction process continued until a coherent conceptual model emerged.

- **Application and visualization**

Figure 11 illustrates the coding structure, showing how excerpts were transformed into codes, themes, and categories. This figure serves both as a procedural map of the inductive content analysis and as a visual overview of the data structure. Note that the following categories, “Personal Motivations and Demographics”, “Illicit Markets and Enforcement”, “Combative Industry”, “Ineffective Differentiation”, and “Stakeholder Relations”, did not have sub-themes and are therefore presented at the category level only in Figure 11 for simplicity.

Figure 11 - Inductive content analysis - Categories and Themes



3.5 Summary

This methodology chapter describes the methods used to conduct interpretive, qualitative research through unstructured interviews with 26 cannabis SMLs operating cannabis retail stores in Ontario. Data collection followed an interview protocol involving open-ended questions focused on ethical decision-making processes, stakeholder engagement, and marketing practices. Interviews were conducted and

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transcribed verbatim for thematic analysis using Dedoose software. The study adhered to ethical guidelines by obtaining informed consent, anonymizing participant identities, and ensuring confidentiality. Content analysis, employing an iterative coding process, identified emergent themes related to the research questions.

Chapter 4. Results

4.1 Introduction

Several factors influence the ethical decision-making of Cannabis SMLs in Ontario and impact their business. This chapter presents the results uncovered in the study in three sections. In the first session (4.2), an overview of company profiles is presented. In the second section (4.3), the factors that influence SMLs are showcased and assigned a core, central or peripheral impact on SMLs' decisions. Finally, in the last session (4.4), the decisions and actions SMLs take to mitigate factors are included.

4.2 Company (SMB) Profile

All interviews began with participants providing high-level information about themselves and their company's operations. These questions were included in the interview guide (Appendix B) and were intended to a) break the ice and get the participants engaged, b) gather basic information about their business, c) understand their motivation for entering this industry, and d) understand who typically shopped at their locations.

As shown in Figure 12, most interviewees' companies operated a single location. One company had reached 10 locations and was hoping to continue growing the business, be it outside of Ontario. Five companies operated two stores, and another five operated three or four stores. In total, the 26 companies operated a total of 50 stores. This data, however, is dynamic as companies see their business changing in different ways. For example, P12 and P15 had their companies downsized from two to one location, and

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at the time of writing, P15 had closed. P14 had two stores; one had closed already, and the other was in the process of shutting down. P16 was evaluating how to sustain the business, and since then, it has also closed. P8 is no longer in business, despite not being mentioned or hinted at during the interview. However, not all stores are experiencing a decline in their fortunes. P1, for example, which operates 10 stores, has experienced rapid growth over the last two years and is now expanding to New Brunswick. P9 is increasing from two to three locations, and so is P18. P25 is growing from one to two locations, and P22 is expanding from two to three locations. In the aggregate, after accounting for shutdowns and expansion, the number of stores is maintained at 50.

Number of stores per company

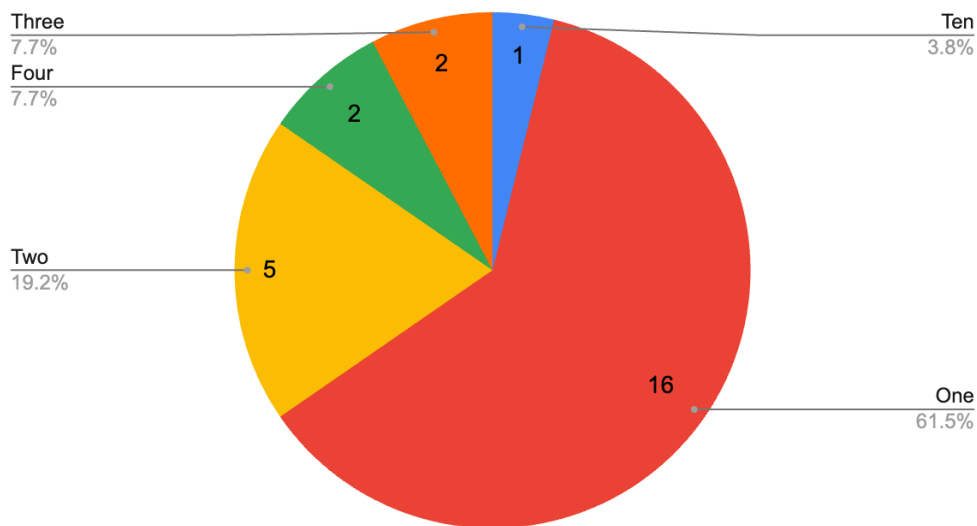


Figure 12 - Number of Stores per Company

The interviewed SMLs operated stores in various settings, typically in urban or suburban environments, with one store located in an industrial zone. Three were located in a rural area, and the remainder in a mix of rural, suburban, and urban areas. See Figure 13 for the distribution of companies by zone type.

Store locations

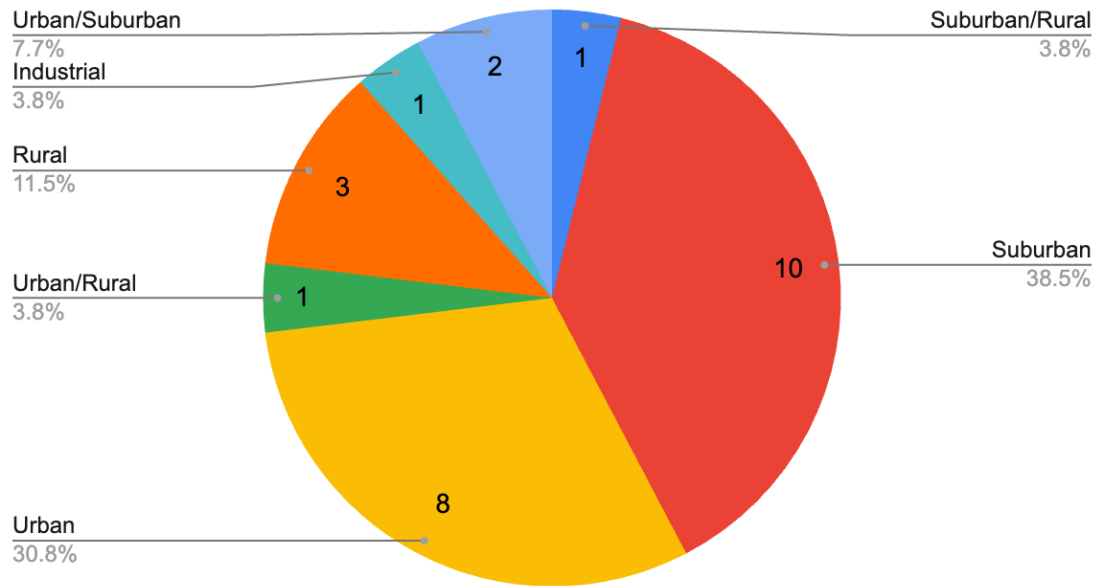


Figure 13 - Store Locations

The majority of SMLs ($n = 18$), as shown in Figure 14, were owners who manage all aspects of the business. The remaining SMLs consisted of a General Manager who oversaw all aspects of the business operation, with owners serving as silent investors.

Store operated by

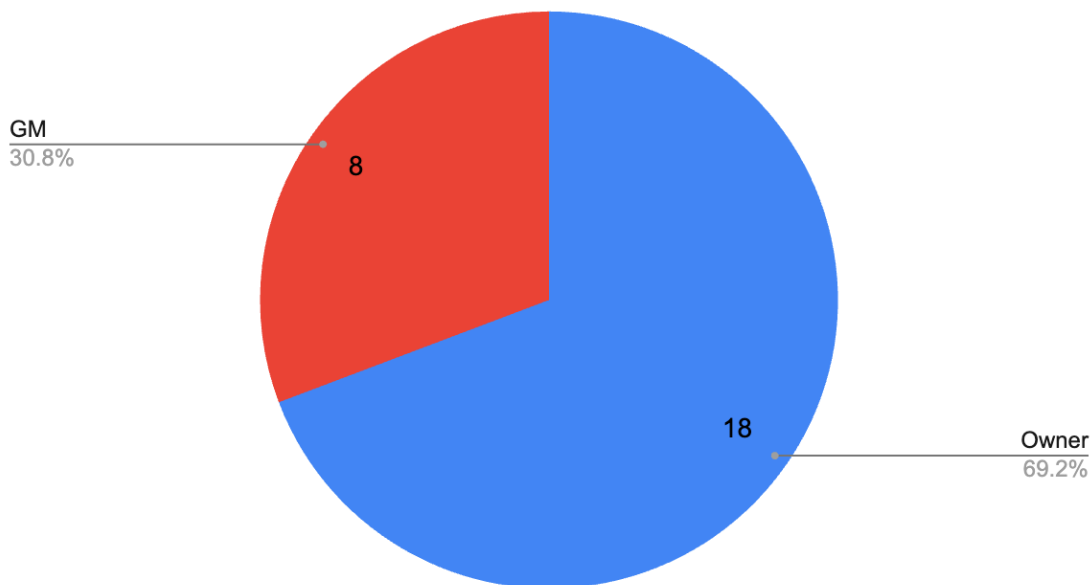


Figure 14 - Stores Operated By

SMLs indicated that cannabis companies had different types of ownership structures, as shown in Figure 15. More than one person owned the majority ($n = 19$), and a single individual owned seven. The companies owned by more than one person varied in their ownership but can be grouped into two main categories. The first structure operated as a family business, with many members of the family owning and being involved in the business. The second structure, with a count of 5 companies, was owned and operated by a couple (husband/wife team).

The category described as “friends” consisted of a total of 12 individuals, with two representing a partnership between two friends and 10 representing a group of friends coming together. Participants indicated that there are several reasons why an individual typically does not own a cannabis company. First, opening a cannabis shop is quite expensive, and with no access to banking or financial instruments, individuals must pool resources together to self-finance a store. Second, participants indicated that they

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wanted to do something together, as a couple, a family or a group of friends. The desire to start and build something “together” was a strong sentiment among participants.

Type of ownership

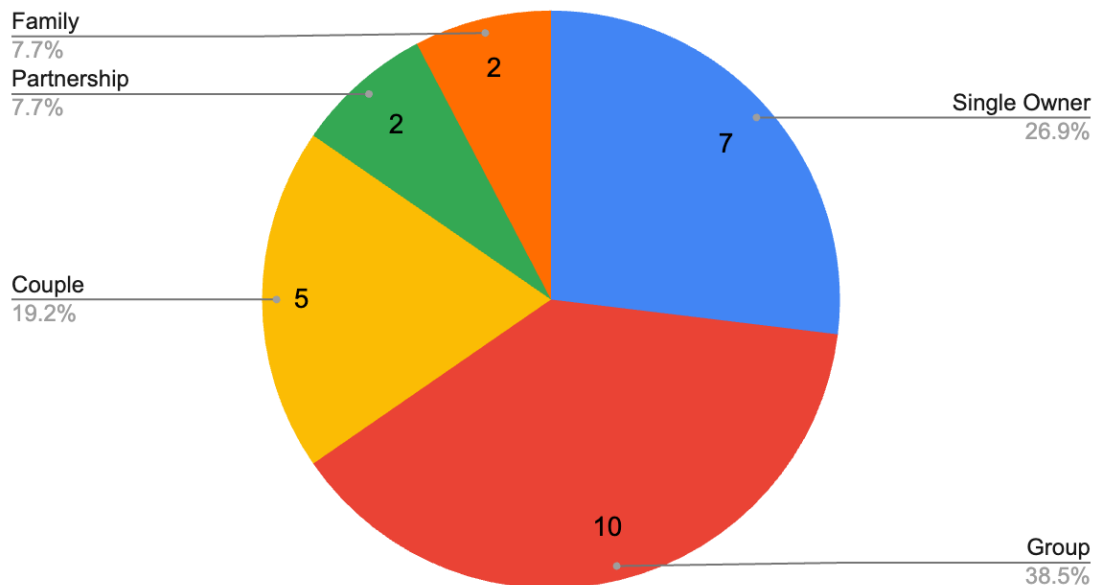


Figure 15 - Type of Ownership

The question of who shops at cannabis stores revealed diverse consumer demographics, with participants indicating that customers span all ages, income levels, occupations, and backgrounds; this finding aligns with Carlini and Schaur (2022). Participants noted that cannabis appeals broadly, and stores typically draw customers from nearby neighbourhoods. Interestingly, many respondents pointed out that construction workers are frequent customers, a pattern consistently observed during in-person visits. Some participants suggest that neighbourhood characteristics, such as proximity to universities, industrial areas, or affluent communities, shape customer demographics. In general, and as shown below, it is not clear from the participants' responses what the core cannabis demographic is.

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Participants indicated that customers start shopping for cannabis as soon as they turn 19, the legal age limit in Ontario. Serving customers as early as P4, P10, P15, and P12, 19 were noted.

All participants indicated that customers are represented by all age groups beyond 19, and many participants, such as P3, P10, and P14, indicated that customers older than 65 are frequent shoppers, in line with Goodman and Hammond (2022). Similarly, all participants indicated that customers come from all types of income brackets, forcing operators to stock cannabis at all price points. Similarly, participants, in general, also indicated that they attract both blue-collar workers and white-collar professionals equally.

4.3 Factors Influencing EDM - Categories and Themes

The factors outlined in Section 2.4 interact dynamically to influence a manager's decision-making process. Factors influence the recognition and framing of the ethical issue, then guide the judgment of available options, and ultimately determine the behavioural intent and action taken, ensuring that managerial choices align with or deviate from ethical norms (Ferrel & Grisham, 1985; Jones, 1991; Trevino, 1986).

Data is presented based on the content analysis conducted using the method outlined in Chapter 3, and in accordance with Elo and Kyngäs (2008), a visual representation of the data presented is provided in [Figure 11](#), and the categories and themes are discussed next.

4.3.1 Personal Motivation and Demographics

Demographic information is shared based on observations. Participants come from diverse demographics; it was observed that the majority ($n = 20$) of the SMLs are middle-aged, within the range of 35-54 years old. It was also observed that the participants were primarily males ($n = 20$) and females ($n = 6$). Most participants ($n = 17$) are Caucasian.

Participants shared their educational backgrounds during the interviews. Most participants indicated that they had completed post-secondary education, with 21 having attained at least an undergraduate degree and 3 holding a master's degree.

Participants mentioned the motivations they valued for entering the cannabis market. The four primary motivations for entering the market are financial opportunity, personal passion for cannabis, entrepreneurial spirit, and lifestyle change and career transition.

Participants valued the business potential in a new market. For example, many participants, such as P7 and P18, were influenced by the media hype around cannabis and saw an opportunity to make quick money. Others, such as P13, thought they might be able to run a side business and earn a steady passive income. In contrast, others wanted an investment that would yield a return without any involvement (silent investors: investing in the business but not taking an active role in managing it). This notion of silent investors is reiterated by many (P2, P3, P12, and P15) who claimed that the owners never saw the stores.

Participants placed value on their love for cannabis, its culture, and its potential. Many have had a long history of personal use; some were even dealers of cannabis in the

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illicit market. P1, P6, P7 and P13 expressed their love for cannabis. For example, P7 indicated that they simply “Love” cannabis and that they had started consuming cannabis a long time ago. Others, such as P9, P5, and P3, expressed frequent consumption of cannabis, and participants, such as P13, P2, and P11, expressed their extended use of cannabis starting in their youth.

Participants such as P9, 10, 12 and 3 shared their strong belief in cannabis as a natural medicinal product and lauded its potential health benefits. Participants valued the ability to improve others’ well-being. Many mentioned personal and customer stories of pain management and anxiety relief. For example, P23 advocates cannabis for pain management, and P9 and P18 expressed how customers also seek cannabis for pain, anxiety relief and sleep aid. Several participants, such as P23, expressed that they derive personal gratification from helping customers with their health.

Participants valued how this new industry can satisfy the entrepreneurial spirit. For example, Participant 21 entered this market simply because it piqued their interest in entrepreneurship. Others wanted to do a new venture and build something new with family and friends. The motivation for building a family business is expressed by many, including P4, P5, P8, P10, P11, P18, P23, and P25. Finally, some, like P1, P2 and P26, saw this as an opportunity to enhance their profile and be seen as leaders in a new industry.

Participant motivation and history influence their approach to operations, stakeholder management, and marketing strategies. Participants have long-standing relationships with cannabis, either through personal use or involvement in the illicit

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market and have transitioned into legal operations with a desire to legitimize and share what they believe are the plant's benefits. However, while their enthusiasm for cannabis is strong, they face immense hurdles that impact value outcomes related to the financial and operational well-being of their business, which test their personal values. The excerpts touch on a range of topics related to factors that influence the SMLs.

Participants have a positive bias towards cannabis that shapes their values. Most participants consistently express that cannabis is far less harmful than other substances, particularly alcohol, and carries numerous benefits, especially for pain relief, as indicated by P17. They emphasize that while cannabis has historically been stigmatized, many, like P19, suggested that its medicinal properties are undeniable. Many owners like P23 feel that cannabis has the potential to play a positive role in society by helping people manage their pain and stress, avoid more harmful substances, and lead healthier lives. Participant 3 indicated that cannabis has the potential to help people recover from alcoholism. P17 has partnered with a drug harm reduction not-for-profit to supply cannabis as an alternative to hard drugs.

Participants have a long and strong history with cannabis and cannabis culture. For many, cannabis has been part of their lives for decades, and they started using it in their youth. Many participants, like P8, used it to manage pain, relieve stress, or treat medical conditions. Several of them, like P10, started using cannabis long before legalization, either recreationally or for medical reasons, and that personal relationship drove them to enter the industry. They often mention that they were inspired by the potential that cannabis can help others, just as it helped them. Many owners describe how

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their own experiences with cannabis—whether self-medicating or recreational use—growing it for their family, as P24 did, and selling it illegally, as P26. These experiences provided participants with an understanding of the product and its benefits. This personal connection with cannabis has shaped their approach to running a business, ensuring that they offer their customers something they genuinely believe in.

Participants come from a wide variety of backgrounds: IT, marketing, retail, teaching, hospitality, and even illicit cannabis markets. These previous careers often provided them with essential skills, such as management, sales, and customer service, which they now apply to their cannabis businesses. Many mention that their transition into the cannabis industry was driven by dissatisfaction with their previous jobs or a desire to work in an industry that aligned more with their values. Some came from corporate environments and decided to make a change after seeing the cannabis industry as a new opportunity post-legalization. Others had already been working in cannabis, whether legally or otherwise, and saw legalization as the perfect time to legitimize their passion.

Finally, some saw cannabis as a way to transition out of unsatisfying careers. As P17 indicated, cannabis seemed like a fun new adventure, "I hated my job," and this was a fresh start in a new industry. P19 and P21 also used cannabis to transition their careers, as one wanted to leave the corporate world, and the other was a recent military retiree. P23 and P25 wanted what they assumed would be an easy job that could be executed in retirement. Finally, P26 and P11 entered the legal cannabis industry to transition from selling illegal cannabis.

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In summary, SMLs are primarily middle-aged (35-54), predominantly male, and Caucasian, with most holding at least a bachelor's degree. Their motivations for entering the cannabis industry include financial opportunities, a personal passion for cannabis, an entrepreneurial spirit, and a career transition. They value the business potential, love for cannabis culture, its medicinal benefits, and the chance to build a family business or enhance their leadership profile. Their long-standing personal connections to cannabis, often from prior use or illicit market involvement, shape their positive bias toward its benefits (e.g., pain relief, harm reduction), which they value and influence their approach to operations, stakeholder management, and marketing. Despite their enthusiasm, they face challenges such as competition and regulations that test their values (e.g., financial security, social responsibility) and affect valued outcomes like profitability and community goodwill.

4.3.2 Stigma

Participants unanimously identified stigma as the primary influence on the legalization process and the industry's ongoing dynamics. Stigma permeates every facet of the cannabis sector, leading to restrictive policies that affect customer behaviour, community acceptance, and business operations within a complex regulatory framework. It undermines the industry's legitimacy, creating barriers in marketing, stakeholder engagement, and community relations.

Participants traced this stigma to historical and religious narratives that shaped Ontario's regulations. This section presents excerpts on stigma organized into four

themes: public perception and social stigma, regulatory restrictions, financial and banking challenges, community and government relations, and unfair regulations.

4.3.2.1 Public Perception and Social Stigma

Participants identified negative perceptions as a core issue facing the cannabis industry. P26 noted that stigma stems from the Reagan administration's "war on drugs" and persists today. All participants agreed that cannabis remains taboo, leading to what they call an unfair treatment of operators.

Although cannabis is now legal, it still carries social disdain. As P25 put it, "Yeah, it's legal, but it's yuck." This stigma manifests in strained family relationships as P23 put it, "Two brothers disowned me because they see me as a drug dealer.", community judgment as P9 suggested "Our neighbours didn't want to be associated with us because we're a cannabis store," and aggressive behaviour against sellers as suggested by P10 "They sent me threatening emails, and my store was almost broken into," and formal protests and complaints as suggested by P1 "I know there was one store that got like 1000 complaints, mainly from community groups like churches and schools."

Societal discomfort with cannabis is rooted in personal and religious beliefs and extends to employees. As P10 noted, some workers avoid associating with the industry publicly. Participants like P1, P9, P11, P19, and P21 described religiously affiliated community members opposing cannabis shops in their neighbourhoods; for example, P9 noted, "Our store is located in a very religious community, and many are against

cannabis." This opposition is further enabled by the Ontario government, allowing communities to opt out of cannabis sales.

Stigma also influences consumer behaviour. Older customers, for example, are exceptionally cautious. P19, who operates a shop near a coffee house, shared that older patrons wait until the coffee shop closes to visit. P2 likened entering a cannabis store to entering a "sex shop," while P9 described neighbouring businesses distancing themselves from cannabis stores to avoid association. P7 added that many assume nefarious activities occur inside, a misconception worsened by regulations requiring covered windows.

4.3.2.2 Regulatory Restrictions

Participants indicated that stigma influenced the enactment of laws. For example, participants believed the government set out to hide cannabis and neutralize it, as P16 suggested, "We can't have big posters saying, 'Cannabis here, make it look fun' like they do with alcohol." P14 noted "The plain packaging rules stifle creativity and reinforce the stigma." Cannabis cannot be seen or shown, as P2 noted, "Even our store windows need to be covered, which perpetuates the stigma." This means stores must be hidden from public view and cannot be appealing. Participants also intimated that cannabis is the only legal edible product in Canada that you cannot see, touch, smell or feel until you have purchased it and are about to consume it at home, away from public view. Participants attribute this to stigma and perceive it to be unfair compared to alcohol.

4.3.2.3 Community Relations

Participants highlighted how stigma hinders their ability to build positive community relations, often citing incidents with community and government officials. Despite efforts to engage through donations, sponsorships, and public outreach, these attempts usually fail due to stigma.

For instance, P23 shared that their local councillor refused to be photographed with them at a public event. Participants such as P18, P7, and P5, reported that their donations and sponsorships were rejected. P18 recounted that CHEO (Children's Hospital of Eastern Ontario) declined contributions from their cannabis business despite accepting donations from their restaurant.

Participants also emphasized their efforts to maintain a clean and respectable appearance to counteract negative perceptions. P8 and P9 detailed daily clean-up routines, while others actively discouraged loitering or consumption near their stores to reduce stigma and foster goodwill.

Friction due to stigma is often direct. Participants noted significant pushback, particularly before store openings, primarily from stakeholders concerned with safety, youth, crime, or religious values. P10 cited general stigma during public feedback periods, while others, such as P2, P17, and P24, reported concerns about safety and crime. P24 faced challenges due to proximity to a daycare, including court disputes. P1 mentioned that stores typically receive "3-4" complaints before opening, though one store faced over 1,000.

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Even after opening, stores encounter persistent resistance. Neighbours, religious groups, and community members frequently lodge complaints. P20 described complaints about a Christmas tree perceived as attracting children, while P22 faced backlash over Halloween decorations. P12 reported verbal insults, while P18 and P20 reported property damage, and even physical altercations that further underscore the challenges cannabis businesses face in overcoming stigma.

4.3.2.4 Financial Challenges

Stigma significantly impacts participants' ability to operate as normal, legal businesses, particularly in accessing basic banking services, renting, and engaging in market transactions. Many expressed frustrations over being unable to bank with Canadian banks due to stigma. This issue is further complicated by U.S. federal cannabis laws, which prevent Canadian banks with U.S. subsidiaries from servicing cannabis companies.

As a result, only one bank, Alterna, a credit union without U.S. ties, services the industry, effectively functioning as a monopoly. This limits the operational capacity of cannabis businesses and results in high banking fees. As P19 noted, the lack of access to banking services restricts loans and credit, directly affecting store openings, inventory management, property transactions, and investments. The critical issue of inventory management is further explored in a later section.

In summary, SMLs face pervasive stigma that shapes their personal values, such as integrity, community goodwill, and financial security. Stigma influences valued

outcomes, such as business legitimacy, community acceptance, security, and profitability. This stigma, rooted in historical narratives like the "war on drugs" and religious beliefs, manifests in negative public perceptions, restrictive regulations, community opposition, and limited banking access.

4.3.3 Unfairness

All participants expressed frustration with unfair conditions in the cannabis industry, rooted in stigma, which creates the context for unfair legislation. The unfairness is described in comparison to the alcohol industry, primarily because the same government entity, the AGCO, regulates both industries and the OCS is the provincial equivalent of the LCBO. Furthermore, participants stated that the unfair regulations have a direct impact on operations and profitability, limiting aspects such as product availability, customer service, and marketing, giving an advantage to the alcohol industry over cannabis because of stigma. This sentiment is reinforced by P23, who suggested, "You know, like, why not make it equivalent to the way alcohol is handled? People die from alcohol every day. I've never heard of anybody dying from weed ever." And P2 argues that "Cannabis and alcohol are treated so differently by regulators, but the harm from alcohol is far greater."

Participants compared the negative harm of alcohol on consumers and the lack of youth protection from alcohol. For example, P15 suggested "We don't see the same regulations on alcohol... children enter restaurants with heavy alcohol branding, which may influence their future decisions" and P17 echoed "Wiser's root beer, with alcohol in it, looks identical to a kids' pop drink. Yet, we're not allowed to bring kids into our store,

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while they're allowed into liquor stores." They also lamented the lack of equality between the two products that have the same legal standing in the market.

A common finding across participants is the notion of cannabis being helpful to human health and not damaging compared to alcohol. This is articulated by participants like P7, who indicated that cannabis is still stigmatized and considered a hard drug like heroin, while alcohol is normalized and advertised aggressively in sports games and commercials. P2 suggests "A lot of people don't realize that cannabis is far less harmful and addictive than alcohol." Participants, like P23, highlighted the harm, including death, resulting from alcohol consumption, yet stated that they had never heard of anybody dying from cannabis. Some participants indicated that cannabis has health benefits, while alcohol only brings harm. P3 cited witnessing and personally overcoming battles with alcoholism with the help of cannabis,

Cannabis has a huge amount of potential for society. It helps people recover from alcoholism and become better, less angry people. I've seen customers conquer alcoholism with cannabis. Personally, I've had my own battles with alcohol and cannabis as being a big kind of helping driving force for me as far as just living a better, healthier, happier life.

Participants expressed frustration over perceived unfairness in marketing, licensing, and enforcement within the cannabis industry. For example, P15 suggested that "We don't see the same regulations on alcohol... children enter restaurants with heavy alcohol branding, which may influence their future decisions." Similarly, P17 stated, "Yet, we're not allowed to bring kids into our store, while they're allowed into liquor stores." P25 lamented SMLs' inability to meet customer needs and provide a good

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service comparing cannabis and alcohol restrictions as follows “I bought 60 bottles of whiskey, and the only thing the [LCBO] staff said was 'Do you need help carrying that to your car?' But with cannabis, you can't buy more than 28 grams at a time.”

P20 and P18 highlighted the contradiction between the extensive vetting that legal operators undergo and the unregulated operations of illegal shops nearby, as P18 put it “We go through all these regulations and rules to get our license and follow the health guidelines, while illegal stores operate without consequences.” P4 also noted the disproportionately high licensing fees for cannabis compared to alcohol or tobacco. Others pointed to unequal enforcement and preferential treatment of national cannabis chains. P16 described how large chains benefit from priority access to inventory, kickbacks, and leniency for illegal advertising. A notable example is Cana Cabana’s 2024 “Free Tesla Giveaway” campaign for the 420 celebrations (Canna Cabana, 2024), which violated advertising restrictions without consequence. Similarly, Pizza Pizza ran a suggestive 420-themed ad targeting youth without facing penalties (Pizza Pizza, 2024).

Participants emphasized the double standard, arguing that independent operators attempting similar campaigns would face swift shutdowns, further reinforcing the systemic inequities in the industry.

In summary, unfairness can be perceived in two ways. First, in comparing marketing and operating rules, purchase limits, etc., and second, as an emotional feeling when seeing rules appearing to be applied inconsistently. SMLs value fairness but perceive unfair regulations as creating significant operational and profitability challenges compared to the alcohol industry. Unfairness affects valued outcomes, including business

profitability, customer engagement, and industry legitimacy. Participants highlight that alcohol, perceived as more harmful, faces fewer marketing and operational restrictions, allowing aggressive advertising and youth exposure, while cannabis businesses are constrained by strict rules.

4.3.4 Role of Government

The role various governments play in cannabis licensing in Ontario presents several significant factors that influence SMLs' ethical decision-making. These factors can be grouped into five main themes: Licensing; Taxes and Fees; Delays, Financial Investment and Cost; Government Agencies; and Restrictions and Enforcement.

4.3.4.1 Licensing

Participants discussed numerous licensing challenges influenced by decisions at various levels of government. While federal regulations primarily affect producers (covered separately), this section focuses on provincial and municipal factors that impact retailers.

Ontario's initial licensing system was a lottery, which participants described as flawed and chaotic. P13 remarked, "It's a lottery—with better odds than the actual lottery," which created unrealistic market expectations. The initial 25 winners received significant media attention, coupled with long customer lineups. Reports of substantial profits created a perception that opening a cannabis store was the ticket to riches. P23 indicated that initially, the lineups were so long that they had to go out and serve people on the street. P1 and P16 stated that they knew close friends who had won the lottery and had made significant amounts of money. P1 added that making money did not require

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expertise; you just needed to sell the license. Similarly, P2 indicated that those with early licenses made fortunes by selling their licenses to those who wanted to enter the industry. Finally, P22 suggested that the risk-reward was overwhelming; you paid \$75 for a chance to win a license that could bring you instant profits.

Cannabis is a unique business in that it combines several aspects from other industries and requires a multi-skilled operator to ensure success. Cannabis as a restricted product requires expertise in both product knowledge and cannabis culture knowledge. Cannabis retailers are responsible for who, what, and how much they sell, making the sale of cannabis similar to tobacco and alcohol. Cannabis owners must adhere to a significant list of regulations related to marketing, selling, and operating requiring understanding of legal and compliance requirements.

Running a cannabis shop requires expertise across multiple disciplines. P14 indicated that running a cannabis shop is like managing a restaurant due to the thin profit margins and high re-order rate, as well as dealing with a food product (edibles and beverages). Cannabis is also likened to running a retail or convenience store, requiring inventory management skills, as ordering occurs within a small window permitted by the OCS, according to P20, with seasonal complexity and revenue fluctuations, as noted by P25. Storage issues and staff turnover are also significant concerns, according to P7. Finally, P2 sums it up well when talking about those who entered cannabis and failed, “they opened a pot shop and then learned that it was tough to run a retail business”.

Facing demand from the public for more shops and potential shop owners for access to licenses. The government instantly abandoned the lottery system in favour of a

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first-come, first-served basis, where anyone who met the criteria could open. According to P1 and P2, when people complained, it was described as “pretty ugly,” and the provincial government ultimately scrapped the plan, allowing everyone to open a store. Participants recalled a chaotic pace and market conditions. First, there was no limit to the number and location of stores that could open. P3 indicated that the governing bodies could do a better job of selecting the number of licenses they issue and where they locate them, as the current process feels haphazard. This lack of coordination resulted in an oversupply in the market, as indicated by most participants. For example, P1 recalled how “you'd open and then all of a sudden, all these stores are popping up all around you,” and P13 echoed that arguing that “After I got my license, I looked around, there were stores everywhere.”

Licensing quickly escalated from 1 store per license to 10, then to 75, and eventually to 150, as discussed by P17. Most participants indicated that this opened the door for big corporations to enter and saturate the market, with many complaining that other stores opened right next door, in some cases sharing a common wall. Saturating the market stressed the system, as final government approvals took time, leaving operators to pay high monthly costs and bear a significant personal financial burden. This was confounded by the fact that the government required operators to secure a location and prepare it for opening before granting the license, meaning operators had significant capital outlays without a guarantee of obtaining a license. The lack of geographic controls and a glut of available storefronts due to COVID-19 led many stores to open within meters of each other; in some cases, they were even adjacent to one another. P1 summed it up as follows.

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But back then, you know you'd apply and then you'd start trying to open up your store and you know, get it all ready. And then you wouldn't really know where anyone else was gonna be. So for like at least the first year, you wouldn't really know and then slowly like as stores open, they would appear on the map, but stores that were in the process of opening didn't appear on the map. So you'd open and then all of a sudden you, you know, you'd open up your store and then it's like pop up, up, up, up. All these stores are popping up all around you, so I guess a lot of people didn't really realize that people were, you know, opening up stores near them. And then it was, I think COVID made this probably a lot worse because a lot of the like small businesses like coffee shops all shut down.

Participants noted that the growing dominance of large nationwide players worsens market saturation. All participants expressed frustration over the power and influence of big corporations, which they felt negatively impacted the market. P19 highlighted the sheer number of stores, while P17 and others pointed out that large corporations lobbied the government to raise the store limit from 75 to 150 locations per company. P5 observed that these corporations employ dedicated government relations teams to advocate for rule changes or overlook illegal practices, such as data deals and advertising.

The proliferation of stores was a recurring concern. P3 noted that big corporate stores are located within 200 meters of their business, and P13 shared that their store even shares a wall with a corporate competitor. P17 identified this concentration as a primary challenge for independent operators, while P14, P6, and P7 suggested that the market is oversaturated and on the verge of unsustainability. P20 succinctly described the

situation in Ottawa, saying, "I think there are about 146 dispensaries in Ottawa, twice the number of Tim Hortons."

4.3.4.2 Taxation and fees

High licensing fees to the province, along with high and layered taxes (Federal and Provincial), provide the conditions for the illegal market to operate in the province and put pricing and profitability pressure on licensed cannabis operators. Even though cannabis is fully legal in Ontario, the illegal market still takes a 30%-50% share of the cannabis market, according to the participants, and in line with Lamers (2024).

Participants overwhelmingly indicated that a significant problem in the industry is the amount of taxation and fees collected via various levels of government. P3 noted "The amount of taxes you pay for the licensing fees... like cannabis license is about \$10,000 every year, whereas the liquor license is \$1,000." P7 further suggested

I would say for the amount of taxes you pay for the licensing fees, it's very challenging. You're at 60-65% tax, if not 70%, before you even sell it at the door. The OCS is the most profitable company in Ontario when it comes to cannabis, and that's taking money out of the workers, the growers, the packaging companies, and the retail.

Participants such as P17 compared Ontario with other jurisdictions and complained that the taxes on cannabis in Ontario are twice as much when compared to other provinces. P5 went so far as to state that taxation is the most significant problem facing the industry. This belief is shared by others, such as P23 and P3, who insist that the high taxes drive consumers to purchase cannabis from illicit dealers.

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A few participants attempted to break down the taxes paid on cannabis. For example, P4 indicated that 30% of the price of cannabis goes to the OCS, and this amount is also added per package for excise duty tax. P23 indicated that up to \$25 is added to each ounce of cannabis in excise tax alone. P7 summed up the issues with taxation as follows "If you give it to the OCS for \$0.00, it's still gonna cost the customers 60 bucks."

Participants also believed that the fact that taxes are layered on top of each other only serves to drive costs up, benefitting the government and creating the conditions for the illicit market to exist. In addition to excise and provincial taxes, participants, such as P15 and P9, complained about high sales taxes throughout the supply chain and at the end consumer level. These taxes do not exist in the illicit market. Participants believed that the products they sell are taxed 6 times before they are sold to customers.

Some participants also complained that high taxation is hurting producers, especially licensing costs, which are the same regardless of whether one is a small or large producer. P2 and P5 noted that many producers only sell inferior cannabis in Canada due to the high amount of taxes, which makes selling premium cannabis too costly for consumers. P5 stated that taxes "just really leaves the producers unable to work domestically at all... so the good quality stuff doesn't even stay in Canada."

In summary, participants indicated that fees and taxes are a significant factor in this industry, enabling the illicit market to exist and putting pressure on the bottom line in an already low margin and highly competitive industry. Participants also believe that the industry's current setup primarily benefits the government, with the OCS being the primary beneficiary.

4.3.4.3 Licensing Delays, Financial Investments and Costs

Participants also recalled the significant cost associated with opening a store; with the rush created by open licensing, participants had to bear the cost of delays associated with waiting for approvals to open. P23 indicated that approvals took months while costs were running high, as they had to pay rent, hold inventory, and pay interest on borrowed personal loans (in many cases, refinancing their homes) without earning any income. In some cases, the participants did not know if the license had been granted until opening day. Most participants experienced the same issues. P17 took a whole year to get their approval. P20 took 18 months, and P13 recalls having to wait 14 months while paying \$ 5,000 in rent per month. P1, who has the greatest number of stores, recalls that it takes several months for each store to be approved; P16 waited the longest for approval, with over 2.5 years.

Participants indicated that opening a cannabis shop is not cheap. P1 had to raise 1 million dollars to get started. P23 invested \$600,000 of their savings to open the store. Other participants provided various financial figures associated with opening a store, with P21 being the lowest at \$375,000.

4.3.4.4 Government Agencies

Participants expressed negative sentiments towards various levels of government, the OCS, and particularly the AGCO, which receives the brunt of the criticism. Issues such as taxation, intrusive policies, significant restrictions, and uncertainty are frequently

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mentioned as major obstacles affecting competition, supply chains, and business viability.

Furthermore, participants raised concerns about the structure of OCS's ordering and reporting system. On the one hand, the system creates significant advantages for large companies, which prohibits smaller companies from accessing inventory and thereby limits their ability to compete in the market. On the other hand, the reporting requirement and red tape cause SMLs to face the decision of whether to find ways to bypass the OCS altogether or waste time and effort meeting the reporting requirements.

Participants expressed contempt for the government, often in outraged tones. P7 was very vocal, asking to quote them as saying, "The AGCO are run like garbage. You can put that they're trash.". The reasons for this friction with the government are many. For example, P13 indicated that the government, as a monopoly, limits choice and has made it harder for businesses to survive because it controls the OCS ordering process, making it difficult for them to obtain products that customers prefer. Furthermore, P13 stated that the AGCO and provincial government made it easy for people to open cannabis stores without limits and induced them to do so by posting elevated revenue projections that were not sustainable.

P12 and many others like them indicated that federally, Health Canada does not understand cannabis, creating laws that equate it to tobacco and putting cannabis at a disadvantage compared to alcohol, which drives customers to the black market. Many participants also complained about high taxation, unresponsive agents, overbearing enforcement of legal cannabis stores, and no enforcement over illicit cannabis.

4.3.4.4.1 OCS - Ordering and Supply Chain Challenges

Participants express frustrations with the way OCS handles product ordering, delivery delays, and inventory management. They believe that smaller stores are at a disadvantage, as larger stores can utilize their size to place orders ahead of smaller stores and secure more desirable inventory. These issues are a byproduct of an ordering process designed by the OCS to streamline the delivery process. The system was designed as follows. To ensure supply chain security, the OCS implemented a geographical zone distribution system. Each zone is assigned an ordering window, during which stores located in that zone log in to the OCS website and place product orders. The OCS delivers the order five days after the order is placed. If the ordering window is missed, a fine of up to \$2,000, as per P13, is imposed on the cannabis store, and additional delivery fees are also levied. Cannabis stores must predict demand for cannabis one week in advance, and if they run out of inventory, replenishment via express orders is not possible. The government allows companies to transfer inventory from one store to another to balance and manage inventory levels.

Participants often find themselves with no or limited inventory selection. Given that inventory is a key differentiator, this is a significant issue for participants. Many participants expressed how this ordering process puts small sellers at a disadvantage. The problem is that large cannabis companies have locations across the province and, therefore, by sheer distribution probability, can access the system to place orders during the first ordering window on Monday. With that, a single location can log in and purchase inventory for the entire chain. Once the inventory is delivered, the big company

can rebalance its inventory allocation among many stores as P16 suggested: "So we order everything from OCS, and it feels like the big stores that have huge capacity to order get front-loaded inventory at the start of the week, leaving smaller stores like us fighting for scraps." This presents a significant disadvantage for those who run an independent store that is assigned a zone with an order window on a Friday, in this case the store is likely to encounter two scenarios: 1) Highly valued and popular products are sold out, or 2) Other remaining products are only available in low quantities, limiting the stores' ability to meet its forecast demand.

Not all inventory must be purchased using the process outlined above.

Participants such as P26 indicated that the OCS offers a direct-to-producer program known as "Flow Through." The OCS's flow-through program, which allows for ordering products that are not stocked in their warehouse, is a mixed bag. While it offers a wider variety of products, which can lead to interesting product differentiators, as P15 and P20 also indicated, it presents logistical challenges, as products must be sourced directly and take weeks to arrive. This program is also, as discussed later, the root cause of "data deals" which is a significant factor and influencer in the market.

4.3.4.4.2 AGCO relationship or lack thereof

While relations with the OCS are strained, participants expressed frustrations with their regulator, the AGCO. Issues related to licensing, inspection, and enforcement cause friction between sellers and the regulator. Many participants believe that AGCO is inconsistent in its application of rules, with fines and penalties often appearing arbitrary or driven by complaints from competitors. There is dissatisfaction with the lack of

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clarity, slow response, constant rule changes, and a perceived lack of support for small businesses.

Participants, such as P23, complained that the licensing process is long and expensive, often with little communication between the AGCO and the seller. This often leads to financial and personal stress as sellers must incur significant costs in building, leasing and stocking a store. Furthermore, participants complained about the constant changes in rules, interpretations of those rules, and the lack of response to clarifications about the rules. Again, P23 complained that it is hard to keep up because rules and interpretations are changing quickly and constantly. This is echoed by P17, who claimed that they cannot even get clarification from the people who wrote the rules and are often met with silence from the AGCO. What frustrates many participants, such as P20, is that, according to them, the rules are interpreted differently by each AGCO officer. While one seller can get away with specific actions, others do not because they have a different officer. For example, the AGCO blocked P18's 10% off promotion, but their competitor, who had a different agent, continued advertising a 20% off promotion. Most participants, as indicated by P18, want consistent rules and a responsive relationship with the AGCO. Unfortunately, since requests for clarification often go unanswered, many participants, such as P19, indicated that they simply proceeded with the intended activity, hoping they were not breaking any rules. As P20 put it, "They don't help much. It goes from one agent to another, and nobody seems to know how to address things properly."

Participants also reported that the AGCO's enforcement of the rules is inconsistent and complaint-based, meaning the AGCO acts when someone complains.

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Given how competitive the industry is, participants' frustration with the AGCO is being weaponized, as P4 put it, by disgruntled competitors. According to P8, competitors frequently complain about one another, attempting to get each other into trouble. P7 suggests that stores are filing anonymous complaints with little to no information, which are then investigated by the AGCO, thereby diverting valuable time and resources from running the store. Some participants, like P9, did concede that the AGCO issues warnings before issuing fines; the only problem is the time taken to deal with these frivolous and unfounded complaints.

Participants such as P7 believe that the AGCO does not respect sellers and is "on a power trip". Some believe that the AGCO is unfair in its fines. For example, P19 suggested "They nailed Cannabis Express with a \$200,000 fine for data agreements," yet data deals are a common activity among many sellers. P12 indicated that fines could lead to "losing our license." P3 indicated that a fine "cripple our business. We take compliance very seriously to avoid penalties." The general sentiment among SMLs is articulated by P22, who indicated that fines amount to "hundreds of thousands of dollars in some cases," and that "the fines are so steep that an independent store like ours cannot afford to take chances, but bigger stores might risk." This suggests that larger sellers have a higher tolerance to absorbing a fine in order to gain market share, but not small sellers. Most participants indicated that selling to children risks hefty fines and shutdown; it is a red line that is not to be crossed. As P3 put it, "The AGCO secret shoppers come in and try to catch you breaking age-gating rules, and if you slip up, it's a hefty fine."

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P4 complained that the main issues, such as the illicit market and high taxes, are not being dealt with; instead, the AGCO's focus is on minor complaints, making life difficult for sellers. This sentiment is echoed by others such as P5, who suggests "The AGCO fined a store for selling candles because they claimed it wasn't a cannabis accessory."

Perhaps the real frustration with the AGCO and the government is the lack of enforcement against illicit cannabis sellers, as reflected by P4: "I swear to Christ, if I see any AGCO officer walking in my door, they're gonna get an earful from me because they can't even deal with the real crimes happening right in front of their faces." Participants feel that illegal cannabis sellers are operating freely with no rules and regulations in the market. P9 expressed frustration by suggesting that "You can complain all you want, but nothing happens. The AGCO doesn't do anything."

4.3.4.5 Restriction and Enforcement

This category, related to restrictions and enforcement, encompasses two opposing phenomena within the cannabis industry. On the one hand, participants complained about the lengthy list of restrictions (and the lack of clarity regarding what these restrictions entail) imposed on them, including product limits, selling limitations, marketing, staffing, and customer service. On the other hand, participants complained about the lack of rules and enforcement related to the illegal market.

Participants, in general, believe that the industry is unsustainable and attribute the poor overall market conditions to the government. P2 highlighted how the government

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created so many restrictions that it is preventing the industry from being healthy while keeping the illicit market afloat.

Many participants shared that there are many restrictions, including a ban on selling any item that is not related to the consumption of cannabis, such as, candles, clothing, food, or other products. P11 also expressed frustration with how difficult it is to sell products to customers when they can't even see what they're buying.

A significant area of restrictions is related to marketing. Many participants indicated that they are limited in their ability to reach customers. For example, Participant 16 complained about the range of restrictions, including rules against making cannabis fun. Furthermore, P16 stated that they are not permitted to include their website in ads because it contains cannabis in the website name. According to P23, restrictions on ads also include inducements such as discounts, and the use of human faces when the ad includes an image of cannabis. P25 added that sellers can't offer volume discounts, bundles, buy-one-get-one-free offers, or any form of inducement. Many participants complained about their inability to use signs and billboards to advertise, even though, as shown in section 4.4.2 below, most of them are doing so.

Participants highlighted two areas of advertising restrictions that are of significant concern. The first area is related to window coverings. Most participants complained that their storefronts must have window coverings that block any view of the store, meaning there must be a complete inability for anyone to see what is taking place inside. The coverings must also be sterile. This restriction limits the stores' ability to engage in display marketing, but more importantly, it creates a safer environment. As stated by

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P23, "We can't really advertise. We have to have our windows covered, which to me is a safety issue."

The second area is the restriction on the use of social media. All participants expressed concerns about their inability to effectively utilize social media, particularly Instagram, for advertising purposes. Some participants, such as P4, equated the issue to having a Gag order on cannabis by social media companies. All participants expressed frustration with the effort they put into building a social media profile and following on Instagram, only to have their accounts randomly blocked and deleted. P23 echoed these frustrations, "Every single dispensary owner has had their Instagram account cancelled numerous times."

Participants are not only limited to what they sell, but also restricted by the amount they can sell. Participants indicated that these restrictions placed on them limit their chances of success and create conditions for the illicit market to thrive. Many participants complained about the fact that they are limited to selling only 30 grams of cannabis per person. P14 suggested that this is challenging when people want to buy in bulk, which is especially the case for participants located near Quebec and relying on cross-provincial sales.

A significant issue for participants is the limit on THC in edibles. Edibles, be it in gummy or drink format, are very popular products. However, most participants complained about the 10-milligram THC limit per edible. P4 stated that this limitation makes it hard to sell to people who want to purchase higher doses, which means customers have to buy a large number of packages to meet their needs, driving up costs

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significantly. This limitation makes it appealing to purchase edibles from illicit sellers who have no restrictions on their products.

Other restrictions include the number of drinks that can be purchased at a time. As indicated by P9, restrictions on the amount of hash as indicated by P15, accessories as indicated by P7, and the ability for stores to create a bundle of products. Finally, P4 indicated that sellers cannot make a product recommendation unless they have tried the product, which creates a different set of challenges, as sellers must consume a significant amount of cannabis to be able to service the customer.

Participants also indicated that, unlike other industries, restrictions are more intrusive in cannabis, and that leads to pressure on profitability and a poor customer experience. Many participants mentioned that these restrictions include a mandate for a minimum of two employees to be present at the store at all times. P12 explained that one should act as a gatekeeper. If the company opts to sell products online, delivery is further restricted as a specially licensed employee of the company must complete the delivery. P16 indicated that the laws mean the delivery person must be an employee of the store. Services such as Uber and Leafly are trying to find ways to circumvent this requirement with no apparent success. P26 indicated that adding delivery services means staffing three employees at a time, which is very cost prohibitive. They have opted to focus solely on delivery.

Participants also indicated that servicing customers is a challenging task. Many, like P5, complained about their ability to stock and sell certain items, such as water, chips, clothing, and candles. P4 also indicated that sellers cannot recommend any

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cannabis products unless they have personally used them, which limits what they can say to customers. P12 complained that cannabis sellers are not allowed to return opened cannabis products, which leaves the customer unsatisfied, especially if the issue is related to expensive cannabis delivery products such as bongs and vapes. Participants also complained about the amount of red tape and paperwork needed to dispose of damaged or returned products. P9 indicated that it could take about one hour of paperwork to dispose of damaged beverage cans. The Ontario government had implemented this process to monitor inventory turnover. P12 indicated that when a customer attempts to return a product, they may do so if they have a relationship with the producer who is willing to reimburse the seller, bypassing the government reporting system.

In summary, SMLs face significant challenges from government-related factors that undermine valued outcomes like profitability, compliance, business viability, and customer satisfaction. The initial lottery-based licensing system, followed by an oversaturated open market, created financial burdens and competition, particularly from large corporations, impacting profitability. High taxes and fees drive customers to the illicit market, threatening financial security, while delays in approvals and restrictive regulations (e.g., marketing restriction, operating hours, THC limits) hinder customer engagement and operational sustainability.

4.3.5 Illicit Markets and Enforcement

Participants indicated that the size of the illicit market is equal to that of the legal market, but holds operating advantages such as: higher profit margin, lesser regulation, and a near lack of oversight or enforcement from the government regarding advertising

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activities, especially online. Most participants also felt a sense of unfairness; as P11 put it, "So we have all of these rules and regulations that we abide by, and they have none. They're just, you know, turning their nose up at the rules of law. And that's hard for us.".

Participants cited several additional issues with the illicit market. For example, P17 indicated a high degree of price undercutting, which is affecting revenue. P16 indicated additional challenges with illegal delivery services that can be completed within a few hours, as compared to the legal market delivery, which is slower due to staffing requirements. P17 also indicated that the illicit market operates more efficiently due to the lack of regulatory compliance requirements versus the legal market, where operators face significant reporting requirements.

Many participants also expressed concern about the safety of working in the industry due to the illicit market, with participants being subjected to abusive and threatening behaviours. For example, P10 indicated that they had been personally attacked by illegal delivery companies and were sent threatening emails, and their store was broken into. This experience was echoed by P20, who has had several altercations with an illegal dispensary across the street.

Most participants complained about the lack of an enforcement policy, be it to limit the threat or to shut down illegal activity. Participants gave several reasons for this. P11 mentioned a lack of police resources, P4 indicated a lack of political will, and P23 noted that the issue is complicated because some of the illegal stores are run by natives.

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Participants indicated that the illegal market offers better operating conditions than the legal market. Further, limited enforcement against the operations of the illicit market makes it difficult to operate a sustainable legal cannabis industry in Ontario. Participants indicated that there are several types of illegal operators in Ontario. They are:

- 1) Cannabis sold on native reserves
- 2) Native stores in cities
- 3) Street dealers
- 4) Online delivery by grey market operators – Legal cannabis, illegal operators
- 5) Online delivery Black market (illegal cannabis and delivery)
- 6) Online and mail-order cannabis (out of province)
- 7) Illegal cannabis in illicit drug stores (Mushroom shops)
- 8) Illegal cannabis in legal stores

4.3.5.1 Unregulated Dispensaries

Most participants expressed frustration at the existence of illicit stores. P20 suggested that the Ontario government via the AGCO, put legal shops “through the ringer” to open a store legally, while allowing an illegal store to open right next door with no oversight or restrictions. Many, like P11, complained about the number of illicit stores opening, suggesting that “one in five stores in Toronto is an illegal store.” The issue for sellers like P21 is how easily illicit operators can open a store and avoid enforcement. These stores are claiming sovereign territory to avoid regulations. Unfortunately, the practices of these stores impact legal operations. P22 suggested that

many grey market stores sell edibles with much higher THC levels than what is legally allowed. P16 suggested that illicit market stores are known for offering chocolate bars with 1000 milligrams of THC. At 1000 milligrams of THC, the illicit market targets customers who want a large dosage compared to the legal limit of 10 milligrams. The issue related to high dosage for P6 is overdosage for youth who frequent these stores, resulting in overdose, ending up in a hospital and spreading the stigma that cannabis is dangerous.

4.3.5.2 Online Illegal Stores and Delivery Services

The illicit market is not limited to physical retail stores. Many participants, like P20, indicated that there are illegal online dispensaries offering delivery services where you can order for delivery within two hours. P23 stated that there is also a burgeoning illicit online cannabis delivery industry based in BC. This is echoed by P19, who indicated that mail-order websites and delivery services are rampant.

Many participants, such as P13, indicated that, in addition to online mail orders and delivery, there are several phone-based illegal delivery services. P20 suggested that these phone-based delivery dealers provide customers with fast delivery of high-dosage cannabis in exchange for five-star online reviews. The issue for retailers is twofold. First, there is no age verification when the delivery happens, leading any youth to purchase cannabis via delivery or mail order. Second, as P16 indicated, the legal market cannot match that service as a legal cannabis delivery person must be employed by the cannabis store itself, limiting the feasibility of offering the service.

4.3.5.3 Street Dealers

Street dealers, who P17 indicated are the primary source of cannabis sales to youth in schools, are still very active and offer a unique value proposition. As P7 suggests, youth who are price sensitive opt for cheaper illicit cannabis with an ounce of cannabis from a street dealer priced at approximately 60 dollars, compared to higher-quality legal cannabis, which is priced between 100 and 150 dollars per ounce.

4.3.5.4 Consumers' Role in the Illicit Market

Participants indicated that while they are unhappy with the presence of illegal cannabis sellers outside of native reserves, they understand why customers still frequent these stores. Further, participants would like to be able to operate on an equal footing with the illicit cannabis stores.

Most participants indicated that price is the key factor in driving consumers to illegal cannabis stores. It is difficult to assess the exact price differential, as participants, such as P9, indicate that it is approximately half the price. However, this is a perceived and subjective assessment since it does not compare equal products. As P23 stated, in the illicit market, products are “super cheap” because they are far more potent. For example, gummies, which legally must have a maximum THC dosage of 10 milligrams, can have 100 or 500 milligrams of cannabis in their illegal version. Participants also cited what would be considered extreme price differentials, with P9 indicating that their customers told them they could get a pound of cannabis for \$22 from the reserves compared to approximately \$80 per ounce in the legal market.

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Furthermore, many participants noted that given the structure of the illicit versus legal market, products in the illicit market are often fresher than those purchased through the OCS, which tend to be stale. P15, for example, stated that “Whereas with fresh cannabis flower, you're likely to get a fresher product on the black market. It hasn't been sitting in a warehouse for as long.”

In addition, convenience plays a significant role in why consumers purchase from illegal cannabis sellers. For one, as P26 indicated, they have a long-trusted relationship with a supplier who provides them with a unique product on demand. Many participants indicated that shopping illegally is also more convenient, as stores are open 24/7, as noted by P13, and have no limit on the amount that can be purchased, as indicated by P22. Additionally, there are no limits on potency. This combination appeals to bulk shoppers, especially those who have to drive a long distance to purchase cannabis, be it from rural areas or from other provinces such as Quebec, which has banned edibles and vapes.

Finally, two participants indicated that consumers who buy from the illicit market do so primarily to avoid paying taxes, as they do not perceive the government as handling money efficiently. As P20 put it, "I've heard that people say, 'Why should I go and pay Uncle Sam when I can just get it cheaper?' There's frustration with the government, and it's driving people to illegal sources.”

In summary, SMLs perceive the illicit market's unregulated operations as a significant threat to valued outcomes, such as profitability, business legitimacy, and customer trust, thereby reinforcing the stigma. The illicit market, operating at higher

profit margins with no restrictions on advertising, potency (e.g., 1000 mg THC edibles), and delivery, undercuts the value they place on legal businesses' operations, better products, and customer service.

4.3.6 Disconnect from Licensed Producers

The lack of a relationship between retailers and licensed producers (LPs) is a significant factor, particularly in terms of the quality and integrity of the supply. On the one hand, participants highlighted indifferent relations with LPs, limited communication, and inconsistent product availability. On the other hand, some participants compared product quality, integrity, and price to those of black market producers and indicated how the black market products are inferior; others wondered if the enhanced quality of legal cannabis versus the lower cost of illicit cannabis is compelling enough and suggested revenue erosion.

In general, participants lamented the lack of relationships with producers. Some have attempted to foster some relationships with smaller producers, who focus on quality and differentiated products; however, these relationships are not strong given that the cannabis supply chain is controlled by the OCS in the province. The issue is related to the fact that the OCS mandates all cannabis flows through it, including, as indicated by P7, proprietary and white-labelled products (i.e., products custom-made and branded in the name of a seller). This monopoly separated sellers from suppliers, and, as Participant 16 indicated, they are not considered stakeholders in the industry. There are numerous licensed producers, and, as many have suggested, they send sales representatives to stores to showcase their new products. However, as P18 and others have indicated, since

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there is no relationship with these companies and given the amount of choice offered, there is no loyalty to any single producer. In many cases, due to OCS inventory issues, product switching is common and necessary.

Many sellers, however, indicated that curated products are one of their core differentiators, which they achieve in two ways. The first, as practiced by participants like P26, is to constantly bring new “Fresh” and unique products to provide customers with new experiences. The second and more common practice is to source a small inventory of high-quality products from craft producers whose products are purchased through the OCS flow-through program.

Cannabis is competitive from a producer's perspective. There are numerous products on the market, leading to similar market dynamics among producers. The cannabis industry seems to be saturated from the producer side, just like it is on the seller side. Participants, such as P25, suggested that there are over 11,000 products they can bring into their store, but their menu consists of fewer than 400 products. This is starting to make an impact with producers closing and going bankrupt, as indicated by P25.

Most participants indicated that, while there is a significant variety of products in the market, these are grown using sustainable practices with minimal use of pesticides, chemicals, and additives. This is perceived to be one of the main differentiators against the illegal cannabis market. Producers are held to a high standard of production by Health Canada. However, as most producers indicate, quality aside, there is a considerable debate in the industry as to what constitutes good cannabis. Many lamented the push in the market to produce high THC strains, sacrificing taste, smoothness, and overall experience. The THC requirements are putting pressure on producers to inflate

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their THC claims, and as indicated by P9, placing the quality of the supply chain in question.

Participants indicated that producers face the same pressures and regulatory restrictions as sellers, regardless of the level of government (e.g., Health Canada). Participants shared similar frustrations about inconsistent enforcement, unfair restrictions, and biased regulations producers face.

As mentioned already, P16 indicated that sellers want a direct relationship with producers, as is the case in Alberta. P15 suggested that this direct relationship would liberate the market and increase the flow of fresh products. Many also indicated that it would level the playing field in terms of inventory availability.

Beyond access, many participants complained about Health Canada's decision to limit edibles to 10 milligrams of THC. P12 indicated that for many, that is not enough. P4 suggested that 10 milligrams of THC per product results in over-taxing the producers. P10 suggested this only helps the black market thrive, as they have no limits on THC.

Participants indicated that producers also face marketing or packaging restrictions. P5 suggested that the packaging is sterile and unappealing to anyone. P4 noted that Health Canada complained about a cannabis-infused beverage labelled as ginger ale because it is seen as marketing towards kids, yet, as P9 complained, there is no restriction on the soda beverage industry marketing sugary drinks to children. P17 suggested that product labelling is difficult to restrict, as brand names and visual brand elements are universal and may appeal to both kids and adults. P17 further expressed

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concerns about the lack of consistent restrictions on packaging between different provinces. This is echoed by P2, who suggested that in some provinces, rules on packaging or accessories are not enforced, yet some products are still smuggled into Ontario via mail-order websites.

Participants indicated that the existence of the black market similarly impacts producers. Taxes, product purchase limits and THC levels are the main drivers for the existence of the black market and, thus, the leading influencers on producers and the supply chain. Most participants indicated that the prices in the black market are lower simply because there is no tax to be paid, often resulting in prices that are 50% cheaper. P3 suggests this difference makes it hard for customers to justify paying extra for a similar product in the legal market. Yes, the black market does not have the same quality standards, be it in growing the product, making sure it is free of chemicals, that is grown sustainably, and has the correct levels of THC as suggested by P15, but the higher THC content and no limits to purchases, dosage, along with the lower price, make it very appealing. Further, P19, who operates a store close to the Quebec border, indicated that in provinces like Quebec, where edibles and vapes are illegal and limited THC, consumers rely on the illicit market to purchase cannabis.

Participants indicated that the lack of consensus on what is good cannabis hurts the industry. Participants, such as P2, suggested that the lack of a concept like Terroir, which is associated with wine, hurts the industry. This is echoed by P7, who noted that good cannabis comes from the right genetics, the skill of the grower, how the cannabis is cultivated, how it is processed, and the various chemicals in the flower. Participants,

however, lament the fact that all these attributes take a back seat to the THC levels associated with a given product.

Production conditions in the black market lead to what participants call “THC inflation”, where everyone is focused on producing a high-THC product at the expense of all other attributes of cannabis. Participants indicate that there is a natural limit to how much THC a cannabis plant can produce. For example, P2 indicated that THC over 25% is very challenging, yet products claim to have 33% to 34% THC. Testing labs were put in place to test for THC levels, but participants like P9 indicated that producers are bribing labs saying, "It's known that labs are being paid off to give the percentage the producers are looking for."

Participants indicated that the issue with labs being compromised goes beyond THC inflation. Labs are supposed to police the industry and ensure that what is sold into the market is grown without the use of pesticides, and that it has no mould or harmful chemicals. Participants indicated the issue with labs issuing inflated THC, and questioned the difference between their products and those found in the illicit market. P2, P7, and P15 indicated that this issue puts everything into question and, therefore, creates what they feel is an existential crisis for cannabis. P15 sums up the problem as follows:

There's been THC inflation where products are labelled with higher percentages than what's accurate. It makes it hard to trust the other quality measures, like mould testing. THC numbers is (sic) that it leaves doubt about the reliability of other testing, like for pesticides or mold. We've been dealing with the issue of THC inflation since the beginning, where labs are handing out vanity numbers in

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terms of THC. When I see inflated numbers, I doubt the accuracy of the other tests, like mould and pesticide levels.

In summary, SMLs value quality and product integrity in the cannabis industry but perceive the lack of direct relationships with licensed producers, driven by the OCS's monopoly and restrictive regulations, as a significant threat to valued outcomes, such as business sustainability and customer trust. The OCS's control over supply chains limits independence, control and product availability, while issues like THC inflation, inconsistent lab testing, and restrictive edible limits (e.g., 10 mg THC) undermine the legal market's competitiveness against the illicit market's lower prices and higher-potency products.

4.3.7 General Agitating Factors

This category includes diverse, yet relevant themes related to factors that influence SMLs' decisions and actions in the cannabis industry in Ontario.

4.3.7.1 Stress (Financial or Personal)

While participants express love for cannabis itself, they are quick to share how this passion has a negative personal impact on their families, finances, and way of life. The financial and personal stress on the owners is a recurring theme. Many participants discussed the significant challenges they face in securing loans or mortgages for their cannabis businesses. P23 highlighted the issue as follows:

The financial strain of starting a cannabis business is overwhelming, especially when you're using personal funds. We were denied by multiple banks, and no one would give us a loan to start our cannabis business. Many independent stores are

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struggling to survive, and it breaks my heart to see them fail. I've seen so many store owners struggling to make ends meet, especially with the high cost of licenses and taxes.

Further, P19 indicated that they could not get a mortgage as the building owner because the primary tenant is a cannabis store. P13 indicated that the only way to fund a store is through a personal loan. P16 echoed the same and cited the high cost of such an endeavour. Many participants indicated that the cost of a store is over \$300,000 CAD. Most participants report feeling stressed about their situation. For example, P23 explained the stress from using personal funds to open the store, "We use our own money to fund the store, which was super stressful." This was echoed by P13, "Many store owners have to take loans on their homes to fund their businesses, causing significant financial stress". P5 argues that "We took a significant financial risk by opening the store, and it's been very stressful."

In addition, participants are personally impacted by seeing many stores around them close due to intense competition, price pressures, and market saturation. Larger corporations, such as Canna Cabana, often dominate the market with lower prices. P23 suggested that "So, about six months ago, one of them closed because they couldn't make it. Being the first on the block helped us, but then Canna Cabana opened, and we can't compete with their pricing due to their data deals," making it difficult for smaller stores to survive. Expensive leases and regulatory challenges add to the strain, causing many owners to close or plan to exit when their leases expire. This was reflected by P25: "We had two locations. Our first, on Montreal Road, opened two and a half years ago, but we've recently closed it." P12 argued that "This is our only store now. We used to have

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one in the Glebe. We're seeing store closures, layoffs, and other consequences because the frameworks used in the cannabis industry haven't translated well from other sectors." P6 stated that "A store on Bank Street closed two or three days ago. We're going to see a lot more stores closing," and P26 highlighted that "Many stores are closing down, and licenses are being revoked. It's affecting the market".

The challenging market conditions, seeing so many similar businesses close and the personal impact on family and personal finances cause significant stress and create a feeling of helplessness among SMLs.

4.3.7.2 Banking and Finances

In addition to the financial stress mentioned in the previous section, accessing financial services incurs significant costs for operating a cannabis business, which can affect inventory levels and operations. While participants blame stigma for the lack of banking access in Canada, they also believe that banking restrictions are impacted by USA legislation (based on stigma) and prevents Canadian banks from servicing cannabis companies. As a result, many owners are forced to rely on credit unions, which often come with high fees, or use personal funds and credit cards to manage their operations. The lack of access to business loans or credit facilities makes it challenging to maintain a stable cash flow, purchase inventory, and cover basic expenses such as rent.

All but one of the participants indicated that their bank is Alterna. None of the big banks, according to participants, will touch cannabis, and all participants indicated that they do not have access to loan facilities through their banks. Many participants, such as

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P7, suggested that even with large revenue figures, in their case exceeding \$10 million CAD, their business still cannot obtain any loans or credit card facilities.

The primary issue with accessing loans is the impact on operations, specifically the ability to manage inventory levels effectively. Many participants reported running out of supplies due to a lack of funds. P16 indicated that they were \$20,000 short on inventory. P2 and P19 had to use their personal credit cards to fill their shelves.

4.3.7.3 Labour Related Factors

Participants like P7 indicated that much like the retail industry, cannabis suffers from high employee loss. The industry faces high turnover due to wages, margins and cost pressures. In some cases, cannabis stores operate with one employee instead of the minimum mandate of two, which is an illegal yet common practice. P15 and P9 indicated that one staff issue is related to budget constraints, which creates significant security risks, a risk that many participants indicated is present and often ignored.

One participant (P12) indicated that some operators pay their staff cash under the table, below the minimum wage, so they can afford to staff two people at a time. This practice is not common and is contradicted by many participants who indicated that they go above and beyond minimum wage and pay a living wage to keep knowledgeable staff. Paying a living wage is a core practice, so much so that P17 has made it its primary strategy for attracting and retaining staff, as well as its primary marketing campaign. Other participants, such as P23, indicated that they offer staff incentives, including Christmas and summer events. P7 suggested that they pay more than the industry average, and their managers make between \$70,000 and \$80,000, plus bonuses.

4.3.7.4 Big Business Influence

Participants are concerned with big business's aggressive competitive behaviour, especially the practice of predatory pricing. Small retailers operating on thin margins struggle to compete with such tactics. Many, like P2, P3, etc., indicated that stores like Value Buds are willing to sustain losses for years to drive everyone else out of business. This strategy to price out everyone is based on two tactics. The first, as indicated by P15, is to buy in large volumes, depriving small retailers of product options that are lower priced in the market. The second tactic, as indicated by many, is to recoup the lost revenue through alternative means. P15, like others, suggests that it is through back-end deals and data sales.

Inventory, which independent retailers hope will be a differentiator, is skewed toward big business in part because they can exploit the OCS ordering system by moving inventory between multiple stores. As suggested by P19, "They have huge inventory capabilities and can move stock between stores, ensuring products don't get stale. They operate multiple stores, giving them the ability to order larger quantities and negotiate better deals with producers." This allows big stores to always have first pick at the products available for sale.

Participants indicated that the cannabis industry is experiencing significant consolidation and competitive pressures driven by big businesses. Market consolidation is accelerating. P23 indicated that Sundial purchased Spirit Leaf (already a large company), and P1 sold their first cannabis business to US-based Cresco Labs. P6 and P17 commented that they are seeing large enterprises acquire smaller cannabis

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companies, leveraging publicly traded shares to stay afloat, and executing profitable exits.

Most participants indicated that big businesses in the cannabis industry use their lobbying power to influence government decisions and regulations in their favour, often at the expense of smaller retailers. The ability to lobby for changes, such as increasing the number of stores from 10 to 75 and then to 150, and lifting restrictions, is a major advantage for large corporations in this space. The power imbalance leaves independent retailers at a disadvantage. This was summarised by P17 as follows.

They were lobbying for more stores. They were lobbying for kickbacks to be lifted. They lobbied the government, and it became 75 stores. The Ontario government just changed it again because they still couldn't make money with 75 stores, so now it's 150 stores. Big corporations, they just had a big thing down at Parliament Hill last 420 and there was a sort of invite-only. Big corporations went to lobby the government, and it was, I think you had to pay \$250 to go.

Participants also indicated that big businesses often break the rules and bend regulations, engaging in practices such as illegal kickbacks as suggested by P5, "The big chains get millions in kickbacks from licensed producers, allowing them to keep their prices lower than small retailers, which is technically illegal, but it keeps happening." Shelf space deals, non-compliant advertising, and relying on loopholes that smaller businesses cannot afford to exploit but bigger companies can, given their scale. As suggested by P25, "Big chains can afford to get fined \$100,000 because they have 30 stores and can make millions from these deals". Participants indicated that large companies are less concerned with the consequences of their marketing and illegal

activities, as they can afford fines or use their legal power to avoid legal trouble. For example, P19 suggested “They're giving away freaking Tesla, like, OK, Pops cannabis was giving away a dirt bike a little while ago, and in the, in the ad for the dirt bike, it said that you get extra entries by buying this product. And I'm like, OK, so now the producer and the store are breaking,”. Furthermore, P5 suggested that “There’s this whole no inducement rule, yet the big chains are making millions from data deals and nothing is happening. Meanwhile, smaller stores get fined for accepting small items from producers.”

Overall, participants described a competitive environment they experience as fundamentally unfair, in which large corporations enjoy structural advantages and a lack of enforcement. While some of these advantages are expected and come from economies of scale, others are perceived as the result of inconsistent enforcement. This creates resentment and reinforces the feeling that “playing by the rules” places them at a competitive disadvantage as stated by P17, “It’s frustrating because we’re playing by the rules, and the big guys are cutting corners and still coming out on top.” Further P5 argues that “The AGCO is penalizing small stores for minor infractions, while large chains take advantage of the system and nothing happens.”

4.3.8 Combative Industry

The cannabis market is oversaturated, with too many stores opening close to one another. This saturation leads to intense competition, especially for independent retailers, as larger corporate chains have more resources and can outlast smaller businesses. Participants mention how this affects their sales and is exacerbated by slim profit margins. P23 indicated that, despite having a large store and high revenue, they are

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struggling to achieve a break-even point. P16 explained that many stores are barely breaking even. High costs for rent, inventory, and labour are further squeezing profits, and the saturated market makes it hard to maintain sales volume. Many participants indicated that either they or someone they know has downsized. P26 provided some statistics and suggested that an increasing number of stores are closing every year, with 147 closing in 2022 and 248 in 2023.

There is significant evidence of aggressive competition, price wars, and predatory practices among retailers. As suggested by many SMLs, for example, P4 stated,

There's a lot of infighting between producers and storefronts, or storefronts and storefronts. A lot of complaints are driven by competition. It's other storefronts that are complaining about the business I'm doing here. We've been investigated by the AGCO, no short of a dozen to maybe 20 times.

P6 echoed the combative and negative sentiment between operators,

He tried to mess around with me, so I went on the system and told him, 'Don't mess around, man.' Whatever he had in his store, I made sure I had in mine. Cost price. Like, you want to mess with me? No problem, man. I'm not going to make the \$5 or \$6. You're an idiot. So, we're going to give it away, and let's see who can survive the giveaway. If I try to advertise, the next second they'll call and report me. If I put 10% or 20% off, this guy's going to call the agency.

Similarly, P7 said regarding competitors and complaints,

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They're garbage. There are a few great people, but stores and community members file anonymous complaints with little to no information. It's weaponization of a tool that was meant to protect the public, but it's used as a weapon against other stores for competition. You're squeezed in an area with 3-4 stores within one minute of each other, and the other stores are complaining about you all the time.

Participants frequently mentioned infighting, including physical altercations and cutthroat tactics. This infighting takes place despite industry-wide solidarity regarding common perceived threats such as the illicit market, the AGCO's restrictive policies, and perceived stigma. Participants reported ongoing infighting and competition within the cannabis retail industry, often reporting one another to regulatory bodies, such as Health Canada and the AGCO, in an attempt to undermine competitors.

In summary, SMLs value their own well-being, financial security, and employee welfare, but perceive intense and unfair competition from big business, financial personal strain, and regulatory pressures as significant threats to valued outcomes, such as profitability and employee welfare, which are high. High operational costs, limited banking access due to stigma and U.S. legislation, and predatory pricing by large corporations like Canna Cabana undermine profitability, while market saturation and store closures exacerbate financial and personal stress.

4.3.9 Ineffective Differentiation

Due to perceived limited product availability and regulatory constraints, participants' perceptions of unique differentiation are often not well-founded, leading to

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homogeneity in product offerings and branding. Participants primarily indicated that good customer service, menu curation, inventory availability and overall store experience are their key differentiators. Some participants attempted to gain an advantage by offering unique services, custom products, and relying on store locations to attract customers. This category encompasses six themes: differentiation that is impossible to differentiate, good customer service, inventory as a form of differentiation, price competition, store design and aesthetics, and unique differentiation.

There is a perception among participants that it is not easy to differentiate. Participants indicated that differentiation is a struggle as all stores source products from the same supplier, the OCS. Many participants, such as P7, suggested that uniformity in product offerings makes it difficult for stores to offer something unique. The issue is not the lack of variety. As many participants indicated, there are numerous producers offering thousands of products in the market; the issue is accessing these varieties through the OCS ordering system. P15 suggested that ordering directly from a licensed producer would increase the flow of fresh products and resolve this issue. Others, like P18 and P26, suggested that the reason for uniform product offering is the demand for low-cost and high-THC products from consumers and the OCS. However, not all participants agree. P5 indicated that the OCS allows for all products to be sourced, acknowledging at the same time, the logistical challenges needed to realize the full potential of the process.

Almost all participants indicated that their primary differentiation is providing good customer service. There are several ways this is accomplished; however, in all

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cases, this is directly tied to hiring and training qualified staff. Good customer service could mean many things. For P23, it is about staff getting to know people by their first names. P25 has staff greet you at the door with a personal and caring welcome, and P5 suggested that this is about providing hands-on service to clients.

All participants agreed that product knowledge is crucial to delivering effective customer service, with staff undergoing extensive training. P21 indicated that product knowledge is their core strategy, and P10 indicated that, with good product knowledge, customer education follows, which is an important differentiator.

Participants indicated that inventory plays a critical role in maintaining good customer relations, going beyond the selection of the right product variety. Many participants, such as P16, reported that maintaining stock levels, predicting demand, and managing cash flow effectively are challenging and that running out of stock which sometimes occurs leads to customer loss or dissatisfaction.

Most participants believe that curated menus create unique and tailored product selections for customers. For example, P15 indicated that they attempt to tailor their inventory selection and source from craft producers, which is echoed by many. Similarly, many participants reported that managing inventory requires a significant amount of time. For example, P5 indicated that they dedicate their time to this task while their business partner looks after the rest of the operations. Some participants noted that introducing a steady stream of new products is crucial for success. For example, P26 relies on new products as a core differentiator. Some participants, like P7, rely on

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sourcing rare genetics of cannabis as a differentiator, so much so that they worked with a producer to create a unique product exclusive to their store.

Participants indicated that pricing is also a key differentiator. Facing large industry players who are actively seeking market share through price cutting, a highly saturated market, and significant price differences compared to illicit markets, the right blend of pricing and customer service is a key part of their differentiation strategy. Many participants, like P3 and P24, described the price war as a race to the bottom. Some participants engage in a price war, while others hold their margins to remain viable and offer a better customer experience.

Participants indicated that, like other retail establishments or segments, location and in-store experience are important differentiators. In some cases, the only real differentiator. Significant funds were invested by some to design the store, making it an appealing destination for customers. These designs are intended to a) attract customers, b) battle stigma, and c) offer a unique shopping experience. As is seen in the following quotes, participants have tried their best to create a cannabis store that does not look like a cannabis store. P1 stated, "The store is clean. It's nice. It's not like sketchy." P2 claimed that their store "It doesn't look like a normal cannabis store. It looks very high end. I've got Cedar Wall panels, nice quality floors, beautiful displays, and higher-end TVs." While P24 argued that "We have a really nice storefront, award-winning retail store... designed by an award-winning architect."

Participants also indicated that store location, amenities and being a first mover in an area can gain a competitive advantage, as indicated by P1 who stated "Can you get

there? Is there parking? Most retail businesses that you know the location usually wins (sic). Opening up first was very important. Being first in any area is very, very important." Some participants, such as P21, indicated that having a stand-alone location outside of a strip mall allows for increased visibility and provides an advantage. Many participants indicated that proximity to cannabis matters, and as P7 put it, "customers are someone who works near your store or someone who lives near your store". P20 emphasized that the convenience of a location is important to customers, as repeat customers tend to become associated with the store, "It becomes their store".

In summary, SMLs value providing excellent customer service and the creative aspects of menu curation, which they believe to be a core differentiator; however, they perceive limited product availability and regulatory constraints as significant threats to valued outcomes, such as customer satisfaction, business differentiation, and profitability. The uniformity in product offerings, driven by OCS restrictions and consumer demand for low-cost, high-THC products, hinders unique menu curation. Challenges in inventory management and price competition from large corporations and the illicit market further erode differentiation and revenue.

4.3.10 Stakeholder Relations

Many participants were uncertain about who qualifies as a stakeholder, hindering their potential for broad stakeholder relations. For example, P8 could not think or list any. In many cases, participants limited their responses to who their stakeholders were, including family members such as suggested by P10 "My husband. That's it." And P4 said, "Myself, I'm probably my family (sic), so my mom. My brother? Yeah, that's it."

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Employees, as suggested by P16, "Oh God, for us, for a little cannabis shop. Well, I can't really think of... A stakeholder, I guess that's it. Just our immediate circles, yeah." and unclear stakeholders as suggested by P6 "My employees, me, you know, my wife. Ideas, prices. You know, there's not a lot of people involved."

Some participants had no problem identifying stakeholders and describing their relationship in detail, including a far-ranging list of responses. For example, P11 indicated that the list of stakeholders is long and includes shareholders, staff, and various community groups. Many echoed P11 and included the community among their stakeholders. P5, P17, P21 and P26 added the regulators to the list of stakeholders. Some, like P5, included different actors along the supply chain. Many, like P23, included customers in their list. Some, like P25, included competitors. Similarly, some, like P13, included suppliers such as insurance companies or banks. P1 offered a comprehensive answer as follows:

I would say our... yeah. So, employees, shareholders, then outside of that it would be customers, umm, the regulators who regulate us, our distributors of products. So either the people we buy our cannabis from or the people we buy our accessories from and... I guess generally like, you know, the people that live in the town, even if they're not customers because, you know, there are still many positive benefits of us opening up in a small town. The community are also our stakeholders as well, even if they're not our customers, just because of how us opening up influences things like small things that happen in that city or town.

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In summary, SMLs have a limited view of all their stakeholders, which diminishes their ability to build robust stakeholder relations and community trust. The struggle to identify stakeholders beyond immediate circles hinders effective engagement with the supply chain, regulators, or local communities.

4.3.11 Corporate Social Responsibility (CSR)

4.3.11.1 Profitability or Lack Thereof

Thin margins and high costs weigh heavily on participants' minds, creating tension between financial survival and ethical behaviour. Participants struggle to survive economically, provide jobs and sustain their businesses in the current market. Many participants indicated that the industry will not be sustainable, and stores will likely close. P5 indicated that many shop owners are waiting until their leases are up and are not going to re-sign. P6 points to the high saturation of stores beyond sustainable levels, and faced with high overhead costs, they predict many companies will close. Many, like P23, highlighted that margins are not substantial in this industry and that small stores barely break even, causing many to struggle financially.

4.3.11.2 Difficulty Within the Law

Participants recognize that they operate in a highly regulated industry, and the AGCO enforces some aspects of legal compliance. Many, like P12, indicated that rules are enforced via secret shoppers, a sentiment reinforced by P23, "I'm constantly reminding staff that AGCO could walk in at any time, take the last 30 days' worth of camera footage." Participants state that the main objective of the AGCO is to ensure that no youth are allowed in the store and randomly enforces some aspects of the regulation.

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However, participants state that rules and inconsistent enforcement remain a concern, especially regarding marketing.

At the same time, participants expressed frustration with what they described as unclear rules. SMLs described compliance as difficult because the AGCO's guidance and rule clarifications are perceived as vague and unresponsive. As suggested by P9, "There's a lot of back-and-forth with the AGCO about what's allowed and what's not. They never give a straight answer." P20 further states "And even after asking all these questions to the AGCO and their agents, you never fully get a real answer from any of them until you are already in the process. It's a learn-as-you-go process." This ambiguity, combined, with economic pressure and perceived enforcement gaps, makes adherence difficult. Legal compliance appears to be an ongoing negotiation by the AGCO shaped by uncertainty and risk taking.

4.3.11.3 Ethical Dilemmas Galore

Participants frequently face ethical challenges balancing profit with legal and moral obligations. Ethical considerations include paying fair wages as stated by P17, "We truly believe in paying a living wage—minimum wage just doesn't cut it for our staff. It's sad that paying a living wage has become a marketing tool, but it's what differentiates us". Other contend with cutting labour hours below accepted thresholds. As stated by P15, "Operating with one person per shift is common due to budget constraints, but it creates safety risks"¹¹, while others engage craft producers who value product

¹¹ Operating a store with one employee is illegal in Ontario

quality to the benefit of consumers. As stated by P12, "We don't compete with the black market. We offer health-conscious products and build community trust. We prioritize craft cannabis. We are not driven by a corporate mindset. If people come asking for black market prices, we educate them on health risks and why our products are safer." Or purchasing products from producers with value alignment as suggested by P3, "We decided not to support brands led by unethical leadership. We vote with our dollar. We chose brands aligned with our morals. Other companies don't care as much." Yet at the same time, taking part in incentives such as data deals or other schemes is common, as suggested by P25, "It's a very competitive market in regard to the producers. Bribes with Visa gift cards and illegal kickbacks happen."

Ethical dilemmas in this industry show that SMLs evaluate ethical issues regularly. Many strive to "do the right thing", prioritizing community responsibility, rejecting black market competition, and aligning with values-driven producers. At the same time, participants operate in an environment where the opportunities for unethical conduct are pervasive. As a result, ethical decisions in this industry are not described by participants as a matter of right and wrong, but rather as ongoing trade-offs between maintaining ethical standards when they see fit and ensuring business viability.

4.3.11.4 Attempts at Philanthropy

Almost all participants indicated that they have attempted or participated in some charitable drive or activity. Philanthropic efforts are common, as businesses strive to mitigate challenges and enhance community relations. However, the social stigma surrounding cannabis often undermines these efforts. Many participants, such as P11,

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indicated that they participate in food or clothing drives as a philanthropic activity. P17 goes beyond these drives and has partnered with shelters to provide cannabis for harm reduction studies. Others have participated in traditional sponsorships. For example, P9 sponsored softball and frisbee golf teams. P10 indicated that they have a very active community program, which led them to be named Business of the Year in their area. Finally, while most participants have engaged in programs within their local community, others, like P15, focus on the cannabis and music community, hosting vendor markets and open mics.

In summary, many SMLs value integrity and community engagement, but face significant threats to their valued outcomes, including profitability (high margins, high costs, and regulatory pressures), business sustainability, and community trust. Strict AGCO regulations, inconsistent marketing rules, and ethical dilemmas (balancing living wages, avoiding illegal data deals, and rejecting unethical brands, among others) challenge SMLs' commitment to legal and ethical operations. Additionally, social stigma undermines their philanthropic efforts, like food drives and harm reduction partnerships, hindering community engagement and legitimacy.

4.4 SML Decisions and Activities (Applied Business Ethics)

This section presents innovative practices conducted by SMLs to mitigate the impacts of the factors outlined above. These practices included creating custom-grown cannabis, offering value-added services, engaging in events such as cannabis industry nights, utilizing technology, leveraging data, etc. These methods are grouped into two categories: operational-related activities and marketing-related activities.

4.4.1 Operational Activities

Participants frequently push the limits of regulations around advertising and marketing to attract customers. To remain competitive, participants find ways to push boundaries around product sales and delivery. This includes selling supplementary products, offering non-compliant rewards, or even encouraging under-the-table sales. While some of these practices are illegal, owners often feel that the industry has no choice. For example, P16 indicated that some other stores are selling mushrooms under the table and other questionable products as supplements to their stock so that they can compete with the illegal stores. P26 indicated that they have a direct mail strategy, which is not allowed. P5 claimed that one retailer was offering chips and candy in exchange for reward points; again, this practice is against the rules.

Many participants often push the boundaries around hosting events where cannabis consumption is involved. These events are very lucrative. P3 and P12 indicated they are worth the risk. Participants often find loopholes in the regulations by utilizing private properties, structuring events in ways that facilitate open consumption, or bending the rules regarding age restrictions at events. These activities are seen as ways to drive foot traffic and increase customer engagement. For example, P15 admitted that their events are intended for those 19 and above, but sometimes, they bend the rules for specific customers and allow adult customers with new born babies to enter the event. P12 admitted to promoting their 420 Pong tournament on Instagram despite the risk of getting flagged. P12 further admitted that since the parties they organize are not attached to the store (they are in the backyard), they claim to be able to get away with hosting them.

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Participants mention pushing the limits to keep their customers happy. This includes offering discounts, refunds, or going beyond what is legally allowed to ensure customers return. While this might involve bending or even breaking the rules, the hyper-competitive market often forces owners to prioritize customer satisfaction.

Since refunds are not permitted, participants fear upsetting valuable customers. P20 indicated that they go above and beyond by offering 20% discounts and even refunds on products. P20 admitted that they give a refund and take it up with the LP later to avoid upsetting customers. This practice is common and allows participants to avoid going through the OCS for refunds or product issues, as the process is cumbersome. P10 claimed that many independents are willing to break the rules if it helps them survive in the competitive market.

4.4.1.1 White Label Products

White-labeled products are custom products grown and packaged by the producer with the name of the seller on them and are used to provide a unique differentiation in the market. This strategy is employed by P7 who stated:

We've released our own product line... sourced it in BC... and so far, we've been very successful at that. The first product it's a 70-gram flower in a bag, and we searched it out in BC to find the product.

However, creating your own product does not mean direct access to it, as P7 noted, even if a company created their own custom product, they must sell it to OCS and must buy it from the OCS. This not only creates inefficiency, but it also allows for the product to be seen and procured by all competitors in the market, putting the differentiation at risk.

4.4.1.2 Value-Added Services

Some participants indicated that they differentiate themselves by offering value-added services, mainly to allow consumers to process their home-grown cannabis. For example, P16 has cannabis industry nights where customers bring their cannabis from home, and they help them press rosin from it. P24 offers customers a cannabis rolling service and teaches customers how to use the equipment to make cannabis rolls (cigarettes) and other products. P4, similarly, allows customers to press cannabis nuggets of cannabis into rosin. Further, P4 indicated that having acquired a license for the consumption of cannabis on-site gives them a market advantage. P4 also indicated that they started sprouting seeds as a value-added service for customers who want to grow their cannabis at home. Finally, P9 is installing a drive-through at their store to serve customers better.

4.4.1.3 Technology

Some participants have leaned on technology to gain a competitive advantage. Participants, such as P24, implemented reporting functions to track sales and stock levels, enabling them to make data-driven decisions. Given the importance of inventory management, participants who have systems in place for generating accurate inventory reports have a significant advantage. P26, who is transitioning to an online e-commerce delivery-focused store, created their own platform for e-commerce, using technology out-of-stock notifications to track demand. They have also implemented a website scraper that monitors the stock and prices of other competitors within a 20-kilometre radius. P19 launched an app that enables customers to make purchases using their phones. P22 also

utilizes scraping technology to regularly check competitors' prices and adjust their prices accordingly based on those in the area.

4.4.1.4 Data Deals

All participants mentioned data deals as a significant factor driving the industry. Participants explained what data deals are as follows. Data deals occur when someone, typically a producer, pays a retailer money in exchange for that retailer sharing their data. This act itself is legal. The key question is what this data is worth and what benefit it has to the producer who helps unlock the mystery behind this market phenomenon. Participants shared that data deals are not solely about exchanging data for money, even though that is a necessary part of the transaction. Data deals are complex, often nefarious, and mask a significant amount of illegal activity by both producers and retailers. Data deals described by participants fall into two categories: “Direct data deals” and “Indirect data deals,” which are both explained next.

Direct data deals are simple. A supplier (producer of cannabis) or a marketing agency acting on behalf of the supplier pays a retailer money in exchange for the retailer sharing sales transaction data with the supplier. Under this scheme, participants provide the supplier with an upload of their store sales, which enables the supplier to identify the most popular products in the market. This information helps the supplier adjust their products accordingly based on customer demand. Participants noted that this type of data is aggregated and provided by the OCS at no cost.

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Other data exchanges under this scheme are more nefarious, typically ending up with marketing agencies selling customers' personal information to interested third parties. This includes the following:

- Customer personal data (email, phone number, etc.)
- Customer point of sale transaction data (Payment data)
- Rewards systems data (customer consumption data)

Indirect data deals, which are the primary data deal type in the market, are illegal and violate inducement laws and cost parity principles set out by the AGCO and OCS. Under this scheme, a supplier, either directly or through a marketing agency, induces the retailer to act favourably towards the supplier in exchange for a benefit (typically a cash kickback). This transaction is wrapped under the cover of a data deal (the data exchange itself is irrelevant). Some types of data deals include:

- Retailers committing to purchasing a certain volume of products
- Retailers committing to having the staff promote a product over others
- Retailer allowing access to producers to come and set up a booth and staff it in a retail shop
- Retailers displaying a product in a favorable location or condition in the store over others
- Retailers selling a product at a severe discount
- Retailer conducting a large one-time purchase of a product

In exchange, the producer provides the retailer with one of the following kickbacks:

- A discount in the form of a cash kickback
- A rebate in the form of a cash kickback

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- Straight cash
- Added product at no cost
- Store display furniture (such as shelves and refrigerators).

Despite regulations against kickbacks, participants understand the ethical implications of data deals. As suggested by P17, "You could argue that doing the data deals is unethical... but you can't survive without it." However, many indicated that many large chains continue to engage in these practices with minimal consequences or enforcement putting pressure on smaller sellers. As P14 indicated "We're being squeezed. We either participate in these data deals and questionable practices, or we get left behind." Small retailers feel pressured to participate in these practices as they are lucrative and help them stay afloat, a notion articulated by P16 who stated "It's an ethical grey area. The big chains are selling data, and it's hurting small businesses that can't afford to compete."

Participants suggest that smaller retailers struggle to compete with the lower prices offered by large chains, which are often supported by data deals and volume discounts. Small retailers are often left with limited or less desirable stock because producers prioritize larger chains. Small retailers also face unfair inventory allocation due to the OCS ordering system. Finally, small retailers often lack the resources to engage in the same practices as large chains, such as data deals or illegal kickbacks, making it difficult for them to survive.

4.4.2 Marketing Activities

Participants indicate that marketing practices are heavily restricted by law, resulting in creative yet limited marketing strategies. Participants described marketing in the cannabis industry as one of the most challenging aspects of running their businesses. Strict regulations imposed by the government severely limit how retailers can promote their stores, with many rules appearing ambiguous or inconsistently enforced. This lack of clarity often forces participants to operate in the grey area, testing the limits of what is permissible and risking compliance issues.

For example, P4 lamented how they are limited in their ability to communicate through marketing and general media, equating it to having a gag order. Participants highlighted the difficulties in achieving visibility, especially given the restrictive nature of what can be displayed or promoted. For example, billboard ads, which participants are not clear whether they are legal to use, often consist of nothing more than the store's name and address due to the inability to include additional marketing content. P11 notes that they "have seen billboards, but they're basic only containing the name of the store and the address."

Efforts to differentiate stores or appeal to specific audiences through creative campaigns are stymied by regulations that prohibit imagery or language that could potentially appeal to minors. For example, P9 suggested that even a caricature with a retro 70s theme required pre-approval to ensure compliance.

Digital marketing is no less constrained. Several participants expressed frustration at their inability to advertise on mainstream platforms like Instagram, where accounts are frequently shut down. In many cases, participants are on their fourth or fifth Instagram

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account. P25 said, "I think every single dispensary owner has had their Instagram account cancelled numerous times." Restrictions extend to paid advertising, with prohibitions on running campaigns on television, radio, or non-age-gated websites. "You can't do a TV campaign. You can't do a radio campaign. You could do a print campaign, but again, it has to be in a magazine that is distributed only in a cannabis store or on a website which is age-gated," explained P2.

Retailers also face additional constraints on how they price and promote their products. Many participants expressed frustration at being unable to advertise discounts or promotional offers, a common marketing tool in other industries. For example, P6 complained that they cannot put a sign saying 20% off.

Participants described the regulatory environment in the cannabis industry as unclear, restrictive, and inconsistently enforced, posing significant challenges to their operations. For example, one participant expressed feeling limited in their ability to market their business and is unsure about what is permissible, citing uncertainty over whether posting a picture of a dog could be interpreted as appealing to children. P17 highlighted the evolving nature of cannabis regulations as a major obstacle, emphasizing the lack of responsiveness from regulatory bodies.

Many participants, as expressed by P20, also explained that conflicting regulations between provincial and federal levels exacerbate these challenges. They noted that a business could comply with Ontario's provincial rules yet still inadvertently violate federal laws. This creates a situation where retailers receive advice from AGCO agents with disclaimers, leaving them to act at their own risk and discretion. According to P20, retailers must adopt a trial-and-error approach to compliance.

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These uncertainties extend beyond interactions with regulators. P19 shared an example of a promotional campaign rejected by a radio station's legal department due to perceived legal risks. The campaign, intended to encourage holiday gift-giving, was dismissed as potentially illegal.

Strict rules surrounding branding and visibility add another layer of complexity. P5 noted that retailers are prohibited from displaying logos or branding in ways that might be visible to individuals under 19. P4 added that artwork and store aesthetics often come under scrutiny, with some retailers facing fines for using non-compliant designs.

Given the ambiguity in some laws and a similar response from the AGCO, as discussed in section 4.3.4.4, participants often operate in the grey zone. Table 7 provides a summary of this section, where marketing activities are briefly described, and their legal status is indicated. This table will be discussed in detail in this section.

Table 7 - Types of Marketing Used in the Cannabis Industry in Ontario

Type of marketing	Legal standing	Activity	Description
Traditional Marketing	Legal	Word of Mouth	Induce customers to tell others
	Grey	Signs and Billboards	Use street signs and billboards
	Grey	Radio	Advertise on the radio
	Grey	Print and Media	Advertise in magazines and print media
	Grey	Rewards and Loyalty	Use loyalty programs as a way to give away products
	Grey	Flyers	Distribute flyers to homes with a discount

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	Grey	Third-Party Marketing	Induce other people or companies to advertise for cannabis companies
	Grey	Branding	Rely on brand images and colours to entice people
Digital Marketing	Legal	Search Engine Optimization (SEO) and Google Maps	Use Search engine marketing tactics and Google Maps to appear in search engines
	Legal	Email Marketing	Use of email marketing to encourage sales
	Grey	Social Media	Use of social media platforms to advertise

4.4.2.1 Traditional Marketing

Participant marketing efforts are traditional and locally focused. Participants cited efforts that focused on word of mouth and community relations, such as sponsorships, experimenting with radio, rewards and print magazines. However, the bulk of their effort is focused on flyers, events, signs and billboards, all of which are in the grey area of what is permissible.

Word of mouth is a legal practice, and one of the most mentioned practices by participants. Most participants rely on good customer service and relations to get the word out via word of mouth. As stated by P9, “We rely on word of mouth, which I think comes from just having that good relationship with the customer,” and P5 who anchored their marketing practice on word of mouth saying:

And so our theory is we want every customer because every customer has their own network of individuals. And if I can make them exceedingly happy, they will

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rant and rave about my store and tell all their friends, and their friends will come in. So even though we have zero spend on outward marketing, our customer counts grow week on week continuously.

Many participants rely heavily on signs and billboards to advertise their products, a grey area. Every store that was visited in person had a sign (other than the main store sign), and many participants have indicated that they use signs to advertise their stores.

Participants, such as P1, indicated that they used signs to promote their business when it opened. Many, like P25, put signs all over the neighbourhood with catchy slogans, raising the ire of residents. Participants also often put a sign on their lawn or just outside the store, as P7 indicated. P11 and P25 have experimented with large digital billboards, with P11 using a third party celebrity. P10 uses a highway billboard even though they are unsure if it is breaking Health Canada regulations to do so. P3 also stated that a large cannabis seller used an ad agency that was willing to run a non-compliant ad, assuming the risk of being fined would be worth the added customers.

Radio ads are only permitted when the audience has a youth concentration of 30% or less. How that is measured and enforced is unclear to participants. Participants understand these legal requirements, despite many having attempted to place radio ads that are not in compliance with them. Many have attempted to create radio ads, but the stations eventually stopped airing them. For example, P10 attempted to place a radio ad and quickly realized that Health Canada had ordered the radio company to cease and desist. P19 also attempted to use radio ads, citing their effectiveness in attracting customers from Quebec; however, over time, the radio stations stopped running the ads

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due to legal compliance issues. P12 and P18 also claim to have heard other sellers use radio ads and eventually being shut down.

Similarly, magazines follow the same rules as radio ads, with participants using them and being aware of the implications of use being a clear violation, especially if a coupon was advertised as that would be considered an inducement. For example, P20 placed an ad in a coupon booklet and was flagged and received a warning from the regulator. P22 tried the same coupon booklet method and stopped after not getting any traction. P19 placed ads in their local newspaper and vacation guides. P2 mentioned that some sellers place ads in magazines that are distributed only in a cannabis store.

Most participants use reward programs, and many mentioned having them as a standard offering in the industry. While rewards are legal to use, they are only permitted for use to give away accessories and merchandise related to cannabis consumption, not cannabis. To get around the law, some participants sell cannabis for a token amount. For example, P22 described their program as follows, "At the lower tiers, it starts off with like papers, lighters, stuff like that. And then at the higher tiers, it'll be like pre-rolls, little stuff like that, which we ended up clearing with the Alcohol and Gaming Commission as long as we sell it for \$0.05. So it's not free, but it's \$0.05 cannabis.". Other participants used rewards to circumvent other laws, such as offering merchandise and food sales. P5 suggested that other sellers are "giving away the rule about not selling pop, chips, or candy in your store. One retailer was able to make it so that you could have a rewards program. So, he made it. He has a whole display of pop, chips, and candy, and you can use your reward points to cash in for the free snacks."

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Another area often used by cannabis sellers is flyer distribution to homes, which is illegal for two reasons. First, this practice may be illegal as the recipients could be children; second, a flyer may violate inducement laws if it includes a coupon code. Yet, many participants have used this method to advertise and included coupons in the flyer. As stated by P18, "We passed out Flyers through the neighbourhoods with our menu and promotions like 10% off with free delivery."

For example, P20 claimed that they had distributed flyers to homes but insisted that the flyers were "age-gated," meaning that the store was age-restricted, which meant that if a child brought the coupon to the store, they could not enter. P12 recalled getting complaints from the neighbourhood after distributing flyers, stating, "In a different dispensary, we did door-to-door Flyering, and we got more complaints about the Flyers than positive responses." Similarly, P3, naming the practice "Guerrilla Marketing," indicated that they have also faced community pushback after distributing flyers to homes. Others, such as P18, P21, and P26, reported that they had conducted successful flyer campaigns with no community pushback. Finally, P9 lamented the double standards of Canada Post, who refuses to deliver flyers for the industry but delivers cannabis by mail when ordered on the OCS website or illegally online.

Events are one of the most popular activities cited by participants; however, some participants have indicated that events can include the consumption of cannabis, food and beverages, for which participants had to resort to creative legal workarounds. Beyond the events mentioned above related to providing value-added services to customers, participants have organized several themed events and effectively advertised their themes. For example, P16 organized yoga events and advertised them. P20 and P23

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organized and marketed a 420 event and included free food, prizes and discounts. P15 organized music events, burger pop-ups, and open mics. P12 uses a private backyard to host open mics, vendor markets, and palm tournaments. P18 sponsored mixed martial arts events. P19 uses cooking classes where customers are taught how to infuse food with cannabis oils. P21 wanted to turn their store into a community hub by providing free live music twice a month and free yoga weekly. The idea of using events as a community hub is echoed by P9, who hosts a weekly “stitch and bitch” event for neighbours to come and socialize while knitting.

Participants commonly rely on third parties to advertise on their behalf. While this practice is not illegal, it is often used to sidestep marketing regulations. These third parties include staff, customers, suppliers, partners, and influencers. Many participants, for instance, leverage customer engagement to promote their businesses online. For example, P25 organized a staff contest where customers were encouraged to leave online reviews mentioning specific employees. The employees with the most mentions were financially rewarded.

Similarly, other participants emphasized the importance of customers spreading the word through online reviews and recommendations. P15 provided customers with hoodies and encouraged customers to post pictures of the hoodies on Instagram. P9 offers a 10% discount to customers who share their experience with the store online. Others relied on neighbouring businesses to help them advertise. For example, P20 provides a 5% discount to members of a neighbouring fitness gym. P21 offers a 10% discount to patrons of the restaurant next door, and P11 co-advertises with their neighbours. Other

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participants indicated that celebrities are commonly used. P4 indicated that many celebrities, such as Snoop Dogg and Joe Rogan, have launched their own products, and P11 advertised using a comedian. Finally, other participants, such as P26 and P24, as private citizens, are also active in reviewing products and posting videos on YouTube and Reddit.

Participants indicated that branding plays an important role in marketing their stores. Participants indicated that there is leeway and a grey area in interpreting the design of a company's logo, which has allowed some companies to use cartoon characters, as is the case with P18 and 20. In both cases, the two participants had to modify their logos, as it was deemed that they did appeal to children by the regulator. P18's original logo was flagged because it featured shoes and had to be removed. P20 had a QR code in the logo, and it had to be removed.

Most participants indicated that they had their store colour pallet after conducting research and using a creative process. P20, for example, indicated that they wanted to stand out and decided to use pink as their primary colour. P4 indicated that they wanted to use bright, energetic colours when selecting their colours and used a similar colour palette for their brand. P15 wanted to use more colourful, whimsical colours, because those are intrinsic to cannabis culture. Some, like Participant 16, indicated that the blue and pink colour pallets are easy and pleasant colours, and that is why they are commonly used. Others, like P12, were hoping to communicate a nostalgic hipster culture they perceived as associated with cannabis. Some participants have weighed the implications of this on kids. However, they insist that that is not their target market. Most participants have used dogs to communicate in a fun and friendly environment; however, as noted by

P9, dogs serve a practical purpose; dogs that are given treats remember the store and bring their owner back. P23 indicated that dogs are used in ads simply because their customers often bring dogs to the store. P17 and P10 claim their dog is the store mascot, and having a dog in the store indicates that the dog appeals to everyone and resonates with customers. However, there is another sentiment related to dogs expressed by P10, who stated in frustration, "I can't post weed, so I post dogs. What else am I gonna post about?"

4.4.2.2 Digital Marketing

Participants indicated that they leverage three types of digital marketing strategies: search engine optimization, email marketing, and social media marketing. These are discussed in detail next.

The most effective marketing campaign executed by participants is related to search engine optimization and Google Maps, yet not many participants have opted to do so. Those who have, understand that their business is local and have focused on Google Maps optimization, which requires marketing sophistication and understanding of how to leverage these tools. For example, P16 emphasized that a combination of Google search in maps and high user ratings yields the best return on marketing effort; P25 and P7 concur with this. P11 indicated that they invest a lot into search engine optimization, which includes blogging, keyword analysis and website optimization. P19 added that they also use YouTube to assist with enhancing their search engine optimization efforts. P26, which is shifting its business to an online e-commerce focus, optimizes product

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categories and uses brand and product pages to maximize search engine traffic to its website.

Participants who have built a customer database leverage that by emailing customers; however, the results seem to be mixed, with some abandoning this effort. Some participants, like P10, monitor their newsletter and optimize it. Many, like P1 and 26, include offers in their weekly email newsletters.

Others are not seeing results from this channel. For example, P18 has reduced the newsletter to once a month, and P21 stopped email marketing as it did not yield any sales.

All participants discussed social media. All participants reported having tried some social media platforms, especially Instagram, which has shut down their accounts in all cases. It is not clear to participants the value they receive from social media. Many have tried social media marketing, yet few are seeing results. For example, P16 says social media does not work. P4 indicated that they are very limited in what they can do on social media platforms. P1 and P15 both indicated that there is limited engagement on social media platforms. Similarly, P10 indicated that people do not like, share, repost or engage with their content.

Participants further indicated that they are frustrated with the clarity from social media networks regarding cannabis company use of their networks. While many claim to stay within the rules, all have seen their accounts blocked or deleted by social media networks, especially Instagram. The issue is perceived to be related to the fact that social media networks are US based, implementing US cannabis regulation and restricting what Canadian companies are permitted to do. Some like and P10 are frustrated with the fact

that social media networks do not adjust their algorithms to Canadian law. P10 summed it as follows:

Half the time, I don't know why things get taken down. Somebody could report you, and I've had stuff flagged that had nothing even to do with weed, saying I was selling it. Even after reading and rereading all the rules and regulations, it doesn't matter if you're adhering to Canadian regulations, because most social media platforms are American owned. So as a Canadian cannabis retailer, we still have to follow American regulations, which we automatically break just by being a cannabis company.

While few participants, such as P17 and P26, report success on Instagram, with P26 citing that they achieve good website conversions from Instagram, participants in general, including P24, acknowledge that Instagram may not be effective and that other networks, like meetup.com and Reddit, are more effective.

Many participants, like P2 and P23, indicated that they use Reddit to research product reviews and understand buyer preferences. P19 suggested that Reddit is cannabis friendly, with many customers coming to the store asking for products they saw on the platform. Participants like P24 and P26 spend time on Reddit interacting with community members and sharing product information to establish themselves (and by proxy, their store) as industry leaders and therefore drive traffic to their business.

4.5 Summary

This chapter presented the results of the study. In summary, SMLs are primarily middle-aged (35-54), Caucasian, and holding at least an undergraduate degree, are driven by values such as profitability, fairness, integrity, social responsibility, financial security, and community goodwill, with motivations including financial opportunity, passion for cannabis, entrepreneurial spirit, and career transition. However, they primarily face pervasive external factors that threaten valued outcomes like profitability, business legitimacy, customer trust, community acceptance, and operational sustainability.

Social stigma, rooted in historical narratives like the "war on drugs," results in restrictive regulations (e.g., plain packaging, marketing restrictions) and community opposition, undermining legitimacy and stakeholder engagement. The illicit market's advantages (lower prices, higher-potency products and faster delivery) erode profitability and customer loyalty. The OCS monopoly and inconsistent AGCO enforcement limit product availability and fairness, while high taxes, licensing fees, and banking restrictions due to U.S. legislation exacerbate financial strain. Market saturation, driven by a flawed lottery system, corporate lobbying (e.g., store limits raised to 150), and predatory pricing by large chains, further challenges small retailers. These challenges trigger SMLs' use of ad hoc EDM to balance compliance, ethical dilemmas (e.g., paying living wages, engaging in data deals, etc.), and competition (from illicit markets, big companies, and other SMBs). This leads to ethical business outcomes such as differentiating through superior customer service, curated inventories, and appealing store designs, but also to unethical and sometimes illegal outcomes, such as grey

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marketing practices (flyers to home, radio ads, etc.), limiting staffing work hours and engaging in data deals.

Chapter 5. Discussion

The purpose of the study was to identify, understand and assess which factors influence SMLs' ethical decision-making and the implications of that influence:

- To understand, document, theme and categorize what factors influence the ethics and decisions of SMLs within the cannabis industry.
- To add to the limited body of literature on SMLs' decision-making for restricted industries, and, in this case, cannabis shop owners.
- To make recommendations for best practices and future studies.

To achieve the study's purpose, the following research question was posed:

“What factors influence cannabis SMLs’ ethical decision making?”

The research question was based on a literature gap regarding the factors influencing business leaders' ethical decision-making, particularly in newly emerging industries such as cannabis. Prior literature identified 20 factors that may influence leaders’ ethical decision-making, affecting decisions across all aspects of business. However, prior literature has focused on large organizations, creating a gap in understanding how factors affect SMBs in which the owner’s ethics reflect those of the business (Carr, 2003; Fuller & Tian, 2006), and in newly formed or socially contested industries such as cannabis.

Cannabis literature, as discussed in 2.3.3, suggested that in jurisdictions that have legalized cannabis, companies have deliberately targeted youth with advertising (e.g., Ayers et al., 2019; Berg et al., 2023), a demographic they are not legally permitted to serve. Results from this study show that deliberate marketing to youth was not observed in SMLs' actions in Ontario; this does not mean SMLs do not engage in unethical

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practices, as they admit doing so in marketing and operations. SMLs described a complex, stressful work environment in which rapid, reactionary decisions are made, often in the absence of full information and under pressure to sustain the business, in their experience, deliberative decisions addressing deontological matters such as compliance versus noncompliance are not the norm. One can describe the lived experience of SMLs as being trapped in a pressure cooker, where all valued outcomes, such as profitability, personal identity, entrepreneurial spirit, family stability, community acceptance, and the opportunity to work in an industry they care about, are simultaneously under intense and sometimes conflicting pressures. These pressures come from industry-specific and newly identified factors provided by this research, such as stigma, unfairness, technology, competitive hostility, and an unprecedented, evolving regulatory framework.

At the same time, more established factors, such as religious beliefs, peer pressure, etc., are present, albeit recontextualized in this industry. Together, these factors create an environment in which ethical decision-making is ad hoc and experimental and where decisions are intended to sustain the business above all else. SMLs consistently framed the potential for business bankruptcy as an existential outcome rather than a routine market failure. SMLs described closure as personally devastating, representing the loss of identity, effort, and long-held aspirations. Closure also carried significant financial consequences, especially on personal debt and long-term family security. Beyond individual impact, participants expressed a strong sense of responsibility toward employees and framed closure as harmful to the community, impacting staff and reducing access to, as they frame it, good legal cannabis, which has pain management

benefits, viewing business failure as benefiting illicit operators and a deterrent to taxpayers and youth. Together, these perceptions created what this study refers to hereon as Ethical Survival Framing (ESF), a condition in which ethical decision-making is shaped by the belief that business survival produces the least harmful outcome for all stakeholders.

The study advances research and makes academic contributions on several fronts. First, the study provides a new dataset based on the cannabis industry in Ontario. Second, it recontextualizes the factors discussed in previous literature and introduces several new ones, making a further contribution to EDM and CSR research. Lastly, this study's limitations and directions for future research are discussed.

5.1 Industry-Specific New Factors and Their Influence on EDM

The cannabis industry introduces new factors not considered in Ford and Richardson (1994), Tsalikis and Fritzsche (2013), and related literature on factors influencing ethical decision-making, and should be taken into account in this literature. The new factors are stigma, unfairness, technology, and the power of the government (licensing, illicit markets, red tape, supply controls, legal compliance).

5.1.1 Stigma

Much can be said of stigma, as participants identify it as the biggest challenge, perpetuated by long historical narratives such as the war on drugs and reinforced by restrictive regulations and community rejection. This study introduces stigma as a factor that affects ethical decisions, stakeholder relations, philanthropy, and community engagement.

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Participants described stigma as a problem permeating all aspects of their personal lives and business operations. On a personal level, participants strained family relationships; P23 suggested that “Two brothers disowned me because they see me as a drug dealer”. Others felt socially and professionally devalued despite the significant capital investment and business expertise needed to open and operate a cannabis retail shop, expressing perceptions of marginalization. P4 said “We are still looked on as if we are the losers of society,” and P25 stated that “People still look at it as, ‘Yeah, it’s legal, but it’s yuck”.

At the operational level, stigma influenced how customers, staff, and community members interacted with cannabis stores. Participants reported that some customers and employees avoided being publicly associated with cannabis retail. P2 stated that “People don’t want to be seen walking in or out of a cannabis store” and P10 added, “Even some staff and customers don’t engage with us publicly due to the stigma”.

To combat stigma and the feelings described above, SMLs resort to “doing good” ethical decisions. Most have undertaken efforts to build social capital, as per Putnam (2000), through philanthropic initiatives. Some programs, such as donating clothes to shelters, are deemed successful by SML, given that they have been accepted by the recipients. P17’s company participated in a harm-reduction program with an NGO that P17 considers a success. Other general community efforts, such as sports team sponsorship, co-op programs, and money donations, have sometimes been rejected due to stigma. This rejection demoralizes SMLs and affects CSR efforts, eventually leading SMLs to reduce community engagement by discontinuing or scaling back philanthropic programs. The inability to foster meaningful community relations even among

politicians, as suggested by P23 stating, “The local councillor refused to be photographed with us because of the industry we're in.”, poses a challenge for an industry reliant on local neighbourhood customers, hindering SMLs’ ability to build both social and symbolic capital, still SMLs are persistent in their attempt to positively engage the community by cleaning the streets around their shops, offering free value-added services and engaging in education campaigns demonstrating a type of virtue ethical decision making.

The implications of this finding are several. Stigma in this industry challenges the applicability of existing theories of community engagement. Theories such as Putnam’s (1995, 2000) work on social capital, Bourdieu’s (1993) work on symbolic capital, and Granovetter’s (1973, 1983) multiplexity theory emphasize the importance of leaders cultivating relationships within their local communities beyond economic transactions; however, as we see in this industry, cultivating meaningful outreach and community building is difficult.

The reviewed literature did not strongly link stigma as a factor influencing EDM in the cannabis industry. However, stigma emerged as a consistent theme across all interviews. In a sense, given the frustration SMLs expressed when describing it, they also did not expect the stigma to be this prevalent. To help interpret this finding, Stigma Management Theory (SMT) provides a useful framework. SMT explains how firms operating in stigmatized industries respond to negative social perceptions, sometimes adopting strategies aimed at legitimacy that may include ethically ambiguous practices (Devers et al., 2009; Hudson, 2008; Vergne, 2012). In this study, participants described

aspirations to act ethically, such as helping people in pain, paying fair wages, engaging in philanthropy, etc., and at the same time, they reported engaging in aggressive marketing practices (e.g., flyer distribution, radio advertising, competitive complaints) and, in some cases, operating in illegal or unethical grey area, framing these actions as necessary responses to stigma and competitive pressure. Therefore, this study suggests that stigma can induce both good and questionable behaviour, which extends SMT in two ways. First, it shows that SMLs engage in simultaneous and contradictory practices (both positive and negative ethical decisions), and second, this study highlights how stigma impacts internal and external perception, shaping SMLs' narrative in framing questionable actions as necessary responses to competitive and social pressures.

Participants highlighted how societal perceptions of cannabis led to restrictive laws, which in turn reinforced the stigma of the industry. Participants cited the rule allowing municipalities to opt in or out of permitting cannabis shops to operate as being related to stigma. They further claimed that although the intentions behind some requirements, such as opaque packaging, are intended to protect youth, they are ineffective given that, as P15 suggested, "Keeping kids from seeing cannabis doesn't stop their curiosity". Further requirements, such as window coverings¹², posed a safety risk, as reported by P23, "We have to have our windows covered, which to me is a safety issue," and resulted in incidents of robbery. Regardless of their effectiveness, SMLs insist that these measures are stigma-reinforcing. This circular relationship between stigma and regulation in the context of cannabis has not been sufficiently addressed in

¹² The government of Ontario, have since removed the requirement of window coverings given the security risks it created to staff of cannabis shops (AGCO, 2025)

the SMT literature and represents a novel insight that should be further investigated in future studies.

While SMT explains some SML behaviour, this study makes two contributions to stigma management theory. First, by applying it to a new industry, this research is the first to link SMT to the cannabis retail sector, demonstrating that stigma plays a central role in shaping both marketing strategies and ethical decision-making in this context. Second, the findings suggest an inverse reciprocal relationship between stigma, regulation, and SML decision-making. Participants described how societal perceptions of cannabis contributed to restrictive regulatory frameworks, which in turn reinforced the stigmatized status of the industry; when these conditions are responded to unethically, they have an inverse effect and restart the stigmatization cycle. This loop between stigma and regulation influences ethical decision-making by limiting acceptable actions and increasing reliance on ad hoc, survival-oriented decisions. Overall, stigma functioned as a social and structural constraint that shaped both ethical decisions and business practices.

5.1.2 Unfairness

Unfairness emerged as a factor closely linked to stigma and was frequently raised by participants when describing ethical decision-making in the cannabis industry. While stigma led to some positive ethical practices, as highlighted in the previous section, unfairness created a feeling of anger and resentment among SMLs, prompting them to make knee-jerk negative decisions.

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Unfairness appears in two forms. First, as a regulatory comparison between cannabis regulation and other legal but restricted industries, particularly alcohol. Second, as a feeling SMLs have when describing market conditions, especially regarding illicit market enforcement. These perceptions of unfairness shaped how SMLs evaluated their ethical choices and justified certain actions. This factor extends beyond those identified by Ford and Richardson (1994) and highlights how perceived unfairness can influence ethical decision-making.

On the regulatory comparable side, SMLs described cannabis as being subject to inconsistent and disproportionately restrictive regulatory frameworks by the AGCO, especially when compared to alcohol. This comparison is frequently made because the two substances are licensed, managed, and controlled by the same government body. Participants described how regulatory constraints limited their ability to operate profitably and ethically.

One of the often-cited comparisons is related to youth, the baby in the stroller narrative often stated by many, as P23 put it,

But you can't bring a child into our store. I had a guy walk in quickly with a baby in a carrier, and he walked right past my guy before he stopped him. Now I have to file an AGCO report that somebody got in underage. Somebody else saw the baby go in, there are people out there who like to report dispensary owners because they don't like the fact that we're open. I haven't seen much of it lately, but when we first opened, they wanted us shut down.

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This narrative is articulated by many SMLs to demonstrate what they perceive to be absurd regulations that create undue stress and red tape. SMLs understand that this regulation was put in place to protect youth; however, they believe that the topic of youth is mismanaged, and rather than hiding cannabis from youth, SMLs advocate for responsible youth exposure. As P10 suggested, "Education is important. If parents could bring their kids into the store, it would allow them to educate them about cannabis, just like alcohol," with P25 saying that "Parents have told me they wish they could bring their kids in and show them the packaging, helping them understand cannabis." SMLs feel that this disparity between youth alcohol versus cannabis exposure hurts youth in the long term. P15 proposed "taking an educational approach instead of abstinence. Alcohol is everywhere in restaurants, and kids see it all the time. Maybe that makes them want to try it first.", as they are not able to be educated on the proper usage of cannabis and the impact on their health, as P4 stated when discussing youth education and the LCBO disparity, "We've failed them, unfortunately." SMLs make decisions that, according to them, align with the ethics of care, which prioritize empathy toward vulnerable groups. To mitigate this issue, SMLs are creating educational content and believe this must be an industry-wide initiative. Participants like P26 have already taken on the task of showing that, beyond discussion on responsible consumption, "youth need to be inspired and motivated, and we can do that by showing them that this is a multibillion-dollar industry, not just about selling weed," perhaps offering youth a legitimate, positive, and creative career path.

Furthermore, perceived unfairness leads SMLs to make unethical decisions. A practical example of comparative unfairness is the issue related to customer refunds.

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SMLs complain that a customer is permitted to return an open and partially consumed wine bottle to the LCBO if they do not like it, but customers are not allowed to return any cannabis products. In instances like these, SMLs use a teleological lens to appease the customer and break the rules outright by issuing a refund. As mentioned by P20, "We'll give a refund and take it up with the LP later to avoid upsetting customers." Similar actions related to unfairness, exceeding the permitted volume, and reductions in staffing were highlighted by P15, who stated, "Some shops operate with only one staff member due to budget constraints, leading to safety concerns," etc., are taken by SMLs, justified by teleological arguments.

Feelings of unfairness and the feeling, as they perceive it, of the deck being stacked against them, are further reinforced by the continued presence of illicit cannabis markets operating alongside legal ones. Participants expressed frustration that illicit operators faced little apparent enforcement, while legal businesses were held to strict regulatory standards. Some SMLs estimated that a substantial portion of the market remained illicit and questioned how legal operators could be expected to comply fully with regulations under these conditions. This perceived imbalance weakened commitment to legal compliance and contributed to justifications for rule-bending, particularly in areas such as advertising, data-selling practices, and events.

The implications of this finding are several and particularly relevant to CSR theory. The findings related to unfairness raise questions about the applicability of existing CSR frameworks, e.g., Carroll's (2016) pyramid, within the cannabis industry. Carroll's model assumes that businesses are required to operate profitably, legally, and

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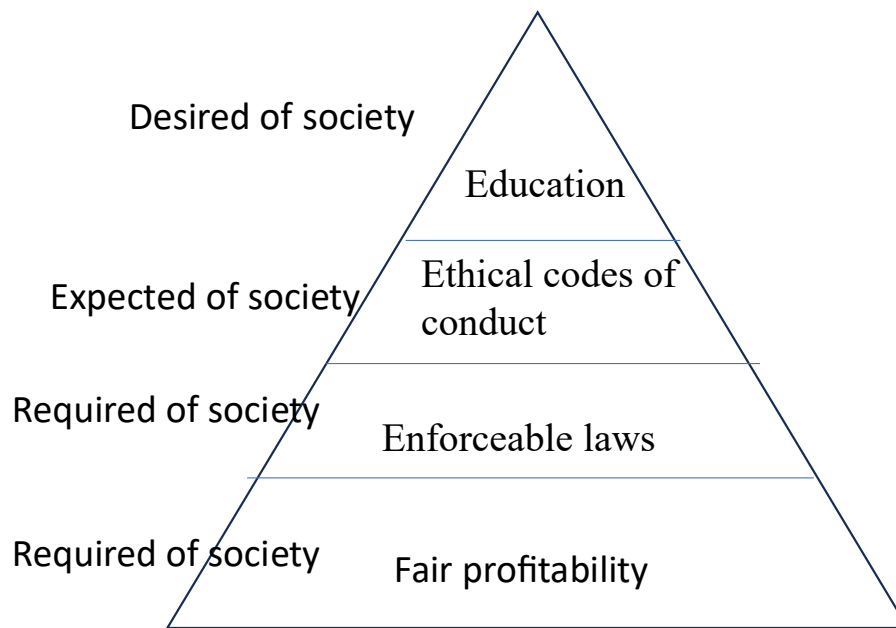
expected to operate ethically, and philanthropically. Further, Carroll suggested that ethical considerations must be taken into account at each step of the pyramid. However, participants' accounts suggest that these requirements and expectations are difficult to reconcile in a context where profitability is constrained, legal compliance is unevenly enforced, and philanthropic efforts are frequently rejected.

Carroll's argument can be interpreted to imply that ethics is an evaluative lens through which all decisions are made. As Carroll suggests, law, economics, and philanthropy are themselves grounded in "ethical reasoning" (Carroll, 2016, p.5), and any decision to comply or violate them necessarily involves ethical judgment. From that perspective, choosing to break the law is not an absence of ethics. It is an ethical decision that prioritizes certain values over those embedded in the legal framework and justifiable by the leader when they perceive the framework as unfair. Laws are described by Carroll as codified ethics, meaning that violating the law reflects a judgment that other considerations (what leaders value), such as survival, fairness, competitive pressure, etc., outweigh the ethical claims represented by the law. A decision to break the law is unethical by legal standards but follows ethical reasoning in business operations. The same logic applies to philanthropy. Whether a firm donates out of altruism, reputation management, or strategic interest, the act presupposes a value based judgment about what is appropriate and worthwhile.

SMLs articulated that profitability was not simply a managerial goal, but a high-stakes contested outcome shaped by high competition, low margins, high personal debt, heavy restrictions and illicit competition. Legal compliance was also contested, as SML's articulated the lack of clarity in some rules and what they perceived as a slow, unclear

response from the AGCO to their requests for clarification of some rules, as well as selective enforcement, where some laws were strictly applied to licensed operators and not to the illicit markets. Similarly, SMLs lamented community rejection of philanthropic efforts due to stigma. P18 summarised the issues thus, "We tried to donate to charity, but organizations like CHEO (Children Hospital of Eastern Ontario) refused our contributions," and P4 stated, "We wanted to involve more young people [Co-op Jobs at a sister canning company], but the school board immediately shot down any involvement with cannabis companies."

These findings suggest that CSR frameworks such as Carroll (2016) may require adaptation when applied to stigmatized newly legalized industries, and where there is the presence of an illicit market alongside a legal one. While further research is needed to refine such adaptations, the proposed cannabis-specific CSR pyramid (Figure 16) reflects an initial attempt to account for this industry specific phenomenon. The CSR pyramid reflects SMLs' suggestions that include fairness in market conditions, consistent enforcement of regulations, and broader education for stigma reduction. Thus, the Pyramid is externalized, and instead of society requiring or desiring something from cannabis companies, it is that cannabis companies also require and expect something from society as well, making the pyramid a two-way negotiation between society and industry.



Proposed cannabis pyramid of CSR

Figure 16 - Proposed Cannabis Pyramid of CSR

The proposed pyramid, which incorporates SMLs' lived experience, is presented as follows. At the base of the proposed pyramid is fair profitability; the need for profitability can be brought about by what SMLs suggest are fair market conditions that include economic parity (taxation, fees, supply flow, etc.) with similar legal products (alcohol) and illicit markets, as highlighted by several participants¹³. This is in line with Krist et al. (2015), who advocated for a common legalization framework for restricted products.

¹³ "Illegal stores are operating freely, selling at lower prices, while we're bound by so many rules. It's unfair." (P13). The illicit market benefits from various operational advantages e.g. operating hours, no purchase limits, marketing, delivery controls, etc. These advantages can be provided to legal cannabis. P(4,16, 26). P(25) stated "I had a meeting with AGCO long ago, and I said, 'We're playing by the rules, but you gotta level the playing field.'" (P25)

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At the next step, SMLs advocated for an equal enforcement of legal requirements where applicable laws are in effect, and all operators adhere to these laws. This is in reference to illicit markets, which continue to take a 40% market share and is at variance with Block and Ghoneim (1993) and Hust et al. (2020), who suggested a reduction in illicit markets with legalization.

Next, at the third step, SMLs propose an industry-wide ethical code of conduct. This would address the unique challenges in the sector, such as illicit competition, the weaponization of the AGCO complaint process, and the practice of producers masking kickbacks as data deals. Codes of conduct, if extended to larger competitors, may curb what SMLs see as unethical practices by big players, such as lobbying the government, flouting marketing rules (Tesla giveaway), and third-party advertising (Pizza Pizza), as mentioned by some participants¹⁴.

Finally, at the top of the pyramid, philanthropy while well practiced, must be coupled with public education. SMLs suggest that both government and industry must engage in broader, more comprehensive education to reduce societal stigma. Many SMLs advocate education, especially on responsible consumption among youth, given that ethics permeates the pyramid as per Carroll (2016), these proposed public education programs should be ethically developed and administered. Similarly, acceptance of

¹⁴ "Big chains get kickbacks and use data deals to undercut prices, while smaller stores can't compete." (P5). Big chains have high-paid lawyers that allow them to get around the rules and regulations. Small businesses can't do that." (P2). "It's an ethical grey area. The big chains are selling data, and it's hurting small businesses that can't afford to compete." (P16)

philanthropic outreach may help build a better understanding and cooperation between the community and SMLs.

5.1.3 Technology

Technology emerged as a factor influencing ethical decision-making in Ontario's cannabis industry. SMLs utilize tools such as e-commerce platforms, inventory management systems, and digital marketing to enhance efficiency and competitiveness, as demonstrated by P26, which at the time positioned its business as an e-commerce-only dispensary, and by P5, which leveraged technology to optimize inventory, staff, and operations. However, for many SMLs, ethical questions regarding data privacy are not top of mind as they rely on third parties such as "Dutchy" to manage their e-commerce and data platforms. Thus, outsourcing decisions related to customer personal data security and privacy to a third party, and in a sense, outsourcing ethical considerations related to the use, selling, and management of customer data to their e-commerce provider.

SMLs face decisions about using marketing technology to target customers, implementing loyalty programs, and leveraging customer data. These considerations introduce unique ethical challenges in the cannabis sector. For example, the use of loyalty programs is a legal and acceptable practice, given that earned rewards are exchanged for paraphernalia such as t-shirts. Reward programs encourage repeat business; however, two unethical practices are observed in this industry. First, they are used for inducement and earned rewards are being exchanged for cannabis; second, rewards are used to circumvent regulation, such as selling food in a cannabis shop. As suggested by P5, "For example, giving away the rule about not selling pop, chips, or

candy in your store. One retailer was able to make it so that you could have a rewards program. So, he made it. He has a whole display of pop, chips, and candy, and you can use your reward points to cash in for the free snacks." While these practices are enabled by this technology and are intended to increase revenue in a hyper-competitive market, SMLs justify their use as ESF.

There is yet another more problematic aspect of technology in this industry, and that is the leveraging and selling of data for profit. This practice presents several levels for ethical considerations, which SMLs openly acknowledge and express dislike of, even though they engage in, as suggested by P24, "Suppliers, I don't really. I don't like the idea of bags of money. If we're doing data deals, it's because there's something you want done". For example, the practice of selling transaction data in exchange for a branded refrigerator or cash, while not permitted, has limited negative implications, and SMLs use a teleological lens to justify the ethical decision.

Over time, however, accepting promotional items in exchange for data appeared to normalize progressively more serious violations, reflecting an incremental ethical slippage leading to cases where customer information was sold to marketing companies in exchange for cash and the practices has a significant impact on customers and is unethical even if it is justified either by "everyone is doing it" or "we can't survive without it". This ethical slippage illustrates a flawed rule-bending ethical approach and erodes adherence to duties over time as these decisions prioritize short-term survival over customer privacy rights. These practices show a relativist ethical approach which undermines ethical consistency and, in the long term, if discovered, reinforces stigma.

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In other cases, data is not even exchanged but used as cover for a deal in which a cannabis seller buys specific products in exchange for a kickback to sidestep OCS inventory regulations. SMLs report that this unethical practice extends throughout the supply chain, where the threat of delisting by OCS created the conditions for both sellers and producers to benefit from engaging in this unethical exchange and justified as a survival mechanism for both parties. As suggested by P17, "Economic conditions and predatory pricing make it impossible to not buy into the data deals. Predatory pricing has made it so people can't afford to live, and we needed to be more ethical." Here we see SMLs deploy utilitarian ethical decision-making, and they struggle to justify the action, citing ESF. SMLs face personal stress and anxiety over the need to sustain their businesses, which can be eased by accepting an unethical act; they do so, fully aware of its unethical nature, and take it on nonetheless.

Overall, these practices violated AGCO and OCS regulations, were widely recognized by participants as ethically problematic, and were shaped by broader pressures related to profitability and regulatory restrictions, suggesting that technology functioned as an enabling and coping mechanism.

5.1.4 The Role of Government

Participants consistently described government action as a central influence on ethical decision-making. Rather than viewing regulation as a neutral framework for compliance, SMLs experienced government involvement as a set of overlapping pressures that shaped how ethical choices were evaluated and justified. These pressures did not operate independently but interacted to create conditions under which ethical decision-making became situational, reactive, and focused on ESF. Government impact

on SMLs' decision-making is observed in five factors, namely licensing, illicit markets, red tape, supply controls, and legal compliance.

5.1.4.1 Licensing

Licensing was frequently described as having been implemented chaotically and at a scale that saturated the market. Participants like P1 felt deceived by the lack of transparency during licensing saying, “So you'd open and then all of a sudden you, you know, you'd open up your store and then it's like pop up, up, up, up. All these stores are popping up all around you, ” and the fast expansion was exasperated by the availability of retail locations due to COVID, “And then it was, I think COVID made this probably a lot worse because a lot of the like small businesses like coffee shops all shut down”, which led SMLs to lock in long-term leases, later developing the feeling of being stuck in what appeared to be a wrong decision. Even prior to opening, SMLs reported anxiety over the length of time and the associated expense caused by the AGCO to grant them their opening license. As stated by P13:

So as paying rent here at \$5000 a month. For about I want to say 14 months before I even open my doors. Just renovating and just paying rent every month and paying heat, hydro, everything. So it wasn't fun.

The pressure on personal finances and competition intensified SMLs' shift in decision-making toward “fight-or-flight” reasoning, where maintaining viability took precedence over strict adherence to rules demonstrated by weaponizing the AGCO complaint system, several aggressive marketing (e.g., radio, flyers, rewards, etc.), and

innovative ethical practices (e.g., white label products, growing seeds, pressing Rosen, etc.). Under these conditions, participants framed rule-bending as relativist and necessary to remain operational, and framed innovative practices. For example, P15 stated that "Our events are supposed to be 19 plus, but sometimes we bend the rules for certain customers, like those with newborn babies." Further, P18 mentioned that "If something isn't working, we'll push the limits until we get a slap on the wrist."

5.1.4.2 Illicit Markets

The presence of the illicit cannabis markets has already been discussed; it is experienced by SMLs as deeply undermining the legitimacy of the regulatory system and is perceived to undermine the legitimate work of SMLs, perpetuating stigma. Participants expressed frustration that unlicensed sellers operated with favourable conditions (opening hours, no volume control, no dosage control, etc.). For example, P13 stated "The illegal market has no restrictions, and they can open 24/7, sell in larger quantities, and offer better deals than we can," with minimal enforcement, while legal retailers faced strict oversight. This uneven enforcement contributed to perceptions of unfairness and weakened compliance commitment.

Of concern to SMLs is the impact of the illicit market on youth. SMLs contend that youth cannabis consumption is caused by illicit cannabis; they cite online and illegal delivery of illegal dispensaries as the supply source for youth. As P17 suggests, cannabis is bought from the high school locker, sourced from illicit sellers, not the legal dispensary. The impact of this on SMLs causes frustrations, as several indicated that overdosing on high THC illicit edibles, leading to hospitalization, leads to media

headlines perpetuating stigma. In this case, SMLs resort to education campaigns that follow the virtue and ethics of care lenses, as discussed earlier.

Overall, SMLs indicate that some ethical decision-making were influenced by the presence and practices of illicit competitors, with some SMLs reasoning that strict adherence to rules was irrational in a market where illegal actors faced few consequences and continued to attract customers, including youth.

5.1.4.3 Red Tape

Regulatory red tape, particularly around inventory controls, refunds, and administrative requirements, constrained day-to-day operations and limited SMLs' ability to respond to customer needs. For example, P3 stated, "The OCS is incredibly hard to work with. It seems to be a lot of needless back-and-forth paperwork and bureaucracy." Participants described these constraints as disconnected from practical realities, leading some to bypass or creatively interpret the rules to serve customers. As suggested by P18, "If something isn't working, we'll push the limits until we get a slap on the wrist". Ethical reasoning in these cases shifted from deontological compliance toward outcome-oriented decisions, such as issuing refunds, not documenting damaged goods, shifting inventory, and not reporting damaged product, to minimize harm to the business and lessen employee workload.

5.1.4.4 Supply controls

SMLs suggested that supply controls created asymmetric power relationships between sellers and their sole legal supplier, the OCS, while limiting direct relationships

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with producers. These supply controls generated three interrelated issues for sellers, affecting profitability, competitiveness, and customer service.

The first issue relates to profitability and affects both sellers and producers. SMLs indicated that the volume of products funneled through the OCS system, with over 11,000 SKUs, combined with the ongoing threat of delisting, creates conditions that encourage unethical data deals, as described earlier. Sellers and producers alike face pressure to secure listings and shelf space; failing to do so leads to delisting by the OCS and results in the data deal discussed in the Technology sections above. This distorts ethical decision-making across the supply chain.

The second issue concerns competitive differentiation. Most SMLs perceived the centralized product list as stifling competition and limiting creativity. Only one participant P5 viewed the current system positively, suggesting that the “flow-through” program provided sufficient choice to remain competitive. Others disagreed, for example, P1 noting that “Ontario requires every store to order from the same list of products.” One participant, P7, described having to purchase their own developed product back from the OCS, thereby making it immediately available to competitors. This lack of product differentiation pushed SMLs to compete through service and marketing. While some strategies were legal, such as education, customer service, or assistance with rolling home-grown cannabis, others crossed ethical boundaries, particularly in relation to events. These events, as P9 and P15 stated, are outdoor on private property and youth exposure in the neighbourhood is possible. For example, P15 said that “We try to push the envelope with our events because it's open air and private

property, so we can get away with open consumption." However, when it comes to addressing the issue of youth exposure, P15 justifies this by insisting that they "tend to have an age gate".

The third issue relates to product availability. Ordering windows and volume-based purchasing advantages allow larger retailers to secure popular products, often leaving smaller operators with limited inventory. SMLs described these dynamics as coercive, complicating ethical decision-making by placing them in situations where refusal could threaten access to the product or market competitiveness. In response, some SMLs chose to source from niche, ethical, or sustainable producers, even when these products were more expensive, as a way to differentiate themselves from larger retailers and the illicit market. Others addressed inventory gaps through informal data arrangements with producers to secure sufficient stock, despite recognizing the ethical and regulatory risks involved.

5.1.4.5 Dual role as competitor

Participants further highlighted contradictions in the government's dual role as regulator (AGCO) and competitor (OCS). First, SMLs express difficulty with limited inventory selection and availability, yet the OCS, as the sole supplier, benefits from full selection and availability. Second, SMLs express frustration with the unfair market conditions impacting one of the few legal marketing avenues available to them; in this case, given the preferential treatment the government receives from both its domain authority and breadth of product offering, SMLs feel that search engines privilege the

OCS and undermine their efforts. This factor, along with others already discussed, adds to the utilitarian justification for SMLs' decisions to enact grey-area marketing.

Taken together, these findings suggest that government involvement did not simply constrain behaviour but reshaped how ethical decisions were understood and made. SMLs described decisions made using situational ethics, where legitimacy, fairness, and survival became central considerations. In this context, ethical decision-making was less about individual values or morality but more about navigating a regulatory environment experienced as unfair and restrictive.

In summary, this study reveals eight new factors that shape ethical decision-making in Ontario's cannabis industry, extending beyond the work of Ford and Richardson (1994) and Tsalikis and Fritzsche (2013). From the pervasive impact of stigma, perceived unfairness, technological, to the significant role of the government. These new factors show the myriad ethical lenses used to justify decision-making and point to an imbalance in the industry that may warrant regulatory review.

5.2 Existing Factors

In this first section, other factors that impact SMLs are discussed, along with their implications and contributions to existing studies, including those by Ford and Richardson (1994) and Tsalikis and Fritzsche (2013). The behaviour of leaders in a newly created, oversaturated, and developing industry, characterized by unexpected stakeholder relations and salience, is examined. Several scholars have researched the impact of factors on EDM among business managers. These factors, starting with moral

development, are discussed in this section in the context of the cannabis industry in Ontario.

5.2.1 Moral Development

Moral development among SMLs is varied, and ethical decisions are taken on an ad hoc case-by-case basis. Rather than reflecting a linear process of moral development, the findings suggest that ethical decision-making among SMLs is better understood as moral pragmatism. Participants described switching between different ethical lenses depending on situational pressures and the potential consequences for business survival as described by ESF.

SMLs drew on deontological reasoning in situations where legal compliance was closely monitored or where violations carried immediate and visible consequences, as is the case with selling to youth. In other contexts, particularly those involving competitive pressure, financial strain, or perceived unfairness, ethical reasoning shifted toward outcome-focused or teleological approaches. In these cases, decisions were evaluated based on whether they reduced harm or enabled the business to continue operating, rather than on whether they strictly adhered to the rules. In other contexts, SMLs leaned on virtue ethics and ethics of care when describing acts of philanthropy or public education.

This pattern reflects adaptive ethical reasoning rather than ethical inconsistency. Participants framed many decisions as trade-offs made under pressure, where ideal ethical conduct was perceived as incompatible with market realities. SMLs understood and contended with ethical choices and decisions that were often described as limited in impact, temporary, or reversible, rather than as expressions of deeply held moral

commitments. As a result, formal ethical decision-making frameworks were rarely referenced or applied in a structured way.

Thus, moral development can be viewed as moral pragmatism and helps explain why SMLs frequently justify ethically questionable actions. Rather than denying the ethical implications of their decisions, participants acknowledged them but emphasized necessity, proportionality, and context. In this sense, ethics functioned less as a fixed guide and more as a flexible resource for navigating perceived stigma, unfairness, and regulatory pressure.

5.2.2 Religious Beliefs

Ford and Richardson (1994) identified leaders' strength of *religious beliefs* as a factor that positively relates to a leader's ethical standards; this was not observed in this study. However, participants described religion as shaping ethical decisions indirectly and externally, seeing religion both as an obstacle and an opportunity.

This study reveals new ways in which religion shapes decision-making in the cannabis industry. On the one hand, the religious beliefs of some community members disapprove of cannabis use, contributing to stigma and making cannabis morally contested. Community religious beliefs cause issues for SMLs to navigate, especially during the opening phase of a store as indicated by P1, "I know there was one store that got like 1000 complaints, mainly from community groups like churches and schools." These complaints to the AGCO create a regulatory risk which can result in delays or an outright ban, resulting in significant financial loss which personally impacts SMLs and their families. Some community members shun stores, as indicated by P9, who stated,

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"Our store is located in a very religious community, and many are against cannabis. Our neighbours didn't want to be associated with us because we're a cannabis store," which creates financial stress in a tight-margin business. Some community members indicate their displeasure with the cannabis store using abusive behaviour. As stated by P10 "We've had people in the community flip us the bird just for being a cannabis store," which ironically is unethical and contrary to religious teaching, but also creates a sense of vulnerability among employees and creates difficulty with staff retention.

Community religious beliefs impact SMLs' decisions, as SMLs must coexist within this environment and rely on it for their success. Thus, ethical decision-making shifts from internal moral conviction to external legitimacy management. Many SMLs recognize the concerns of community members, even though they deem them unfair. To appease the local religious community, SMLs' ethical decisions vary and are relative. Some decisions are deontological, such as P8's effort to clean the roads and sidewalks to maintain a clean image, some are teleological, such as P14 fostering better relations with neighbours and P9 sponsoring local events. Others fall under the ethics of care, such as educational programs and emphasize knowledge rather than abstract rules as a response to community concerns. Many also use education to show how they create a net benefit through employment and reduce illicit drug sales in the community.

These ethical decisions directly inform marketing practices, leading SMLs to favour educational initiatives, community sponsorships, and wellness-oriented events in order to align with local moral expectations.

Thus, contrary to Ford and Richardson, individual religious beliefs are externalized, and ethical decisions are not shaped by the strength of personal religiosity

but by the perceived moral expectations of the community. As a result, ethical decision-making among SMLs becomes a process of negotiating moral legitimacy rather than expressing personal religious conviction, with ethical choices shaped by anticipated community responses and the need to maintain social acceptance.

On the other hand, SMLs associated cannabis with spirituality and mental wellness, integrating practices like yoga (linked to spirituality (Csala et al. (2021))). Using yoga as part of their marketing and event offering and promoting spiritual well-being, SMLs framed cannabis perhaps inadvertently as a tool for spiritual well-being, and loosely promoting care, balance and community health; thus, situating themselves as ethical actors to gain moral legitimacy.

While this study interprets these dynamics primarily as religion functioning as an external moral constraint, alternative interpretations are possible. Religious resistance may also reflect broader social unpreparedness for rapid legalization, limited public education about cannabis, or religious pluralism within communities where consensus is unlikely. However, regardless of origin, participants experienced religious opposition as a practical constraint that shaped ethical decision-making by necessitating the management of legitimacy, risk, and community acceptance. Therefore, in the cannabis industry in Ontario, we see religion as both a contributing factor putting economic pressure on SMLs and a moral legitimacy device, shaping how ethical boundaries are being developed and negotiated in a new contested industry. The dual nature of religion, both as a factor and an opportunity, is a new dimension that is not present in Ford and Richardson (1994).

5.2.3 Demographic Factors

Demographic factors, such as *gender* and *age*, which had a slight impact on decision-making according to Ford and Richardson (1994), are similarly present, albeit in unique ways and have a minor impact on SMLs in this industry.

Female-led stores highlighted the difficulty of owning and managing cannabis companies in a male-dominated industry, which has a personal impact on them. Female SMLs felt that the best way to compete is to emphasize community-building, philanthropy, and relational trust, and supporting care-based ethical decision-making (Hankivsky, 2014).

Meanwhile, age as a factor is externalized in this industry, rather than the age of the leader as proposed in Ford and Richardson (1997) being a factor, here the age of customers shaped marketing and operational decisions, with SMLs tailoring their business practice to address generational stigmas and preferences. For example, P19 suggested that they service older customers after the coffee shop across the street closes, so that customers who are vulnerable to stigmatization by the coffee shop's patrons as they enter the cannabis store. This act not only makes business sense but also shows a teleological, care-oriented practice towards a vulnerable consumer group. Here, ethical decisions are guided by concern for the customer's dignity and social standing and are intended to reduce stigma towards the customer. Age of the customer is not covered in Ford and Richardson (1994), but Tsalikis and Fritzsche (2013) discuss how customer type influences a leader's ethical decisions. Here, we see a customer-centric approach that emphasizes personal relationships and market strategies driven by proximity to stakeholders and extends Ford and Richardson's by demonstrating how a focus on

customer service can lead to positive outcomes. It also aligns with Spence's (2007) proximity theory, which underscores the benefits of stakeholder closeness. Finally, and perhaps as a result of the study being restricted to Ontario, nationality, a demographic attribute that did not influence decision-making in Ford and Richardson (1994), was similarly not observed as a factor influencing decision-making in this study.

5.2.4 Education and Employment

Ford and Richardson (1994) suggested that *the length of education and employment* was not correlated with ethical decision-making. While education is similarly shown in this industry not to influence EDM, the same cannot be said of employment length.

The new cannabis industry presents unique challenges, with many SMLs entering the market without prior experience or knowledge of cannabis (which is expected since the industry did not exist, not legally at least) or retail. The lack of knowledge is not limited to product knowledge; operating a cannabis shop requires retail expertise and a thorough understanding of the rules and regulations governing the industry, as P5 suggested:

You can't just focus on sales. There's constant monitoring of AGCO rules, product limits, ID checks, and marketing restrictions. If you miss one thing, you're at risk. The regulations change all the time, so part of my job is just staying informed and making sure staff are trained properly. Inventory management is huge. Margins are tight, so you really need to understand pricing, supply chains, and overhead. It's retail, but it's also logistics, forecasting, and

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people management. We have to be careful with how we display products and how we talk about effects. It's not like normal retail.

Most SMLs did not possess or anticipate the need for any of these skills, or understand their scope, as many were blindsided by the prospect of winning the lottery or by hoping to enter a lucrative industry, only to become entangled in it overnight. While some SMLs display virtue ethics by cultivating ethical practices through learning, adaptation and experimentation, this is acknowledged by P26, "There needs to be more education about running a retail store, farming, and other aspects of the cannabis industry.". Others, unable to acquire many of the skills needed, eventually closed.

This lack of knowledge, legal clarity, and industry norms leads SMLs to rely on subjective ethical decisions made on an ad hoc, experimental basis, with little evaluation of harms and benefits to sustain operations. SMLs often make decisions that are either illegal or fall into the grey area (e.g., flyers to homes, data deals, etc.). This is a new complementary contribution to Ford and Richardson's (1994), as it demonstrates that employment history or rather, the depth and breadth of experience in an industry, does impact ethical decision-making.

5.2.5 Peer Influence

The lack of experience also forces SMLs to mimic peer practices. *Peer influence* was a factor discussed by Ford and Richardson (1994); however, they presented peer influence as an internal force, focusing on internal ethical misconduct, such as misreporting work hours or ignoring safety protocols. Here, external peer pressure in a

hyper-competitive market manifests in practices such as reporting non-compliance, customer attrition, and threatening competitors, as suggested by P4 "There's a lot of infighting between producers and storefronts, or storefronts and storefronts. A lot of complaints are driven by competition. It's other storefronts that are complaining about the business I'm doing here. We've been investigated by the AGCO, no short of a dozen to maybe 20 times."

Participants dislike the fact that regulatory mechanisms could be strategically leveraged, a clear violation of ethical norms, but accept these practices as part of a new competitive market. The use of AGCO complaints was described as both an offensive and a defensive response to perceived misconduct by others. Although such practices conflict with deontological principles of fairness and good faith. Participants' ethical reasoning was teleological. The ends justified the means; ethical decisions were assessed based on perceived potential harm, retaliation, built-up hostility over time with competitors and the need for survival. The need to respond quickly to peer actions under significant stress further encouraged ad hoc, knee jerk situational decision-making.

In the absence of established industry norms, aggressive peer behaviour led to reactive action, and peers became a proxy and reference point for moral guidance, leading to the normalization of ethical misconduct. These findings extend Ford and Richardson's (1994) framework by demonstrating how external peer influence, combined with a compliance-based regulatory system, can reshape ethical decision-making in emerging industries.

5.2.6 Machiavellianism

Machiavellianism, identified by Ford and Richardson (1994) as highly correlated with ethical decision-making, emerges in multiple forms across the cannabis retail landscape in Ontario. The study reveals a recurring theme of calculated decision making, manipulation, and moral disengagement. While positioning themselves as stewards of community trust or long-term value creation, many cannabis entrepreneurs appear to prioritize short-term gain, often treating ethics as a tool rather than a guiding principle.

This finding aligns with Bhidé's (1996) argument that entrepreneurs are frequent boundary-pushers, sometimes even rule-breakers, who may not fully consider the ethical implications of their actions on all stakeholders. Several participants engaged in behaviours closely aligned with Machiavellian traits. These include the use of ethical facades to justify unethical decision-making, deflecting blame: "*everyone's doing it*," and citing competitive pressures as justification, showing a kind of ends-justify-the-means mindset; but these rationalizations function as moral disengagement mechanisms, allowing SMLs to minimize ethical concerns during decision-making and justify ethically questionable actions as acceptable or even necessary. Others engaged in performative acts of philanthropy, while some are genuine and needed to combat stigma and religious resistance, some are only done for self-interest. Participants also described selective product sourcing for ethical craft producers as a means of differentiation, but others used sustainability language purely for branding purposes, which reflects a form of greenwashing masquerading as an ethical commitment. Moreover, several interviewees demonstrated a comfort with operating in legal grey zones as demonstrated in Table 8, especially in their marketing practices, rationalizing these behaviours as

savvy business strategies rather than ethical compromises. These patterns, consistently observed across the data presented in Chapter 4, reveal a broader tendency to subordinate ethical responsibility to strategic advantage, reinforcing the presence of Machiavellian leadership traits in this sector.

5.2.7 Personal Motivations and Values

Personal motivations and values, as discussed by Ford and Richardson (1994), were clearly present in this study and influenced SMLs' ethical decision-making in several ways. In line with Ford and Richardson, some SMLs were primarily motivated by economic goals or personal advancement. These motivations shaped ethical choices in marketing and visibility, such as pursuing rapid financial success or establishing oneself as an industry leader. As P16 noted, "I have some friends that I went to school with who were, and they made it out with big riches." Another participant, P18, described using social media to build personal status, stating, "I post on social media to establish myself as a leader in the industry, sharing new products as soon as we get them in stock". In these cases, ethical decision-making was closely tied to self-interest and reputation-building.

Beyond these motivations, this study identifies a factor not addressed by Ford and Richardson (1994). SMLs' personal and historical relationships with cannabis itself. Many participants described a strong personal connection to the product, viewing cannabis as more than a commercial good and associating it with health, wellness, or personal benefit. P19 stated, "Cannabis has been something that I've used for both medical and recreational purposes for a long time". This personal belief in the benefits of

cannabis often influenced ethical decision-making, particularly in how SMLs interacted with customers.

In some cases, this personal commitment led to ethical ambiguity. Several SMLs described seeing themselves not simply as retailers, but as providers of a beneficial product, especially for customers seeking relief or wellness support. As P9 explained, “Cannabis retailers aren’t allowed to educate consumers about how cannabis works, even though people are coming in for medicinal purposes”. P4 further noted, “I can’t recommend any cannabis products unless I’ve personally used them, which limits what I can say to customers”. While these actions were often framed as caring or helpful, they sometimes crossed regulatory boundaries related to medical advice.

To manage this tension, some SMLs separated their personal identity from their professional role. Posting on social media or offering advice was justified as something done “as an individual,” rather than as a business owner or retailer. This separation allowed SMLs to maintain a positive view of themselves as ethical and caring, while engaging in practices that would be more clearly restricted if carried out explicitly in a professional capacity. As a result, ethical decision-making became highly personal and situational, shaped by individual values, beliefs about cannabis, and interpretations of where personal responsibility ends, and professional responsibility begins.

5.2.8 Locus of Control

Ford and Richardson (1994) suggest that *locus of control* has a modest impact on ethical decision-making, particularly in contexts where external control exists at a

divisional level. This study shows that, in the case of cannabis, external forces (not shareholders) are not peripheral. Despite possessing internal control as an SMB over their operations, SMLs who hold the top-level positions in the organization and exert influence face significant external control by the government, which functions simultaneously as a regulator, supplier, and competitor (as discussed in 5.1.4), and dramatically alters the economic landscape.

Building on Mitchell et al.'s (1997) stakeholder salience model, this study reinforces the view that the government qualifies as a dominant stakeholder, warranting sustained managerial attention. However, unlike most definitive stakeholders who are responsive or engaged, the government's stance is frequently characterized by SMLs as indifferent (delayed response, lack of illicit market enforcement, inflexible rules, and inconsistent communication). As mentioned by P4, "The government takes every dollar they can, forcing the industry to fight amongst itself." Moreover, actions such as over-licensing and direct market participation create tangible operational harm. This issue also recontextualizes another factor discussed by Ford and Richardson (1994), who suggested that *role conflict* does not influence ethical decision-making; here, we see that it does, albeit in an external context. The result is a paradox: SMLs are compelled to prioritize an unresponsive stakeholder whose decisions directly impact the business, leading to ethical lapses such as cutting corners on refunds, returns, or marketing.

These decisions are not rooted in personal moral failure, but in the adaptive behaviours described above as ESF perceived to be required for business survival. This nuance extends both the stakeholder salience model and existing decision-making

frameworks by highlighting how institutional dominance combined with institutional disengagement can distort ethical conduct in regulated environments.

5.2.9 Reward Systems

Reward systems, as discussed in 5.1.3, are utilized both ethically (e.g., promoting customer loyalty) and unethically (e.g., trading rewards for cannabis). Unlike Ford and Richardson's (1994) focus on internal rewards that encourage unethical management behaviour, this industry demonstrates external rewards that incentivize both customers and employees to act unethically. This includes circumventing laws of inducement and third-party advertising.

5.2.10 Codes of Conduct

Codes of conduct, as discussed by Ford and Richardson (1994), are typically viewed as influential in shaping ethical decision-making. However, in Ontario's cannabis industry, codes of conduct and formal ethical policies within small businesses were not observed. Codes of conduct are desired by SMLs, as discussed in 5.1.2. This may not be feasible given the industry's ongoing development and presence of strict government compliance requirements, which are currently used as a benchmark for conduct.

In addition, SMLs characterize many complex rules as prohibitive to understand and follow, leading SMLs to side-step the imposed code of conduct. The lack of enforcement against illicit operators often undermines the desire for compliance and sustainable ethical practices. This compliance-focused climate adds a new dimension to Ford and Richardson's (1994) analysis, aligning with more recent studies by Tsalikis and Fritzsche (2013) and Laczniaak and Murphy (2012, 2019), who explore how regulatory pressures intersect with ethical practice. Moreover, the legal constraints facing cannabis

SMLs extend beyond Canadian borders. U.S. federal restrictions prevent Canadian banks with U.S. ties from servicing cannabis businesses, complicating financing and digital marketing, particularly on U.S.-based social media platforms. These cross-border regulatory challenges add a new dimension to Ford and Richardson's study. As a result, SMLs are often forced to make ad hoc ethical decisions, for instance the absence of formal codes of conduct and legal clarity, ethical marketing decisions are made on an experimental "let's see what happens" basis. These findings extend Ford and Richardson's (1994) original framework by demonstrating how, in highly regulated and emerging industries, government-imposed compliance can function as a substitute for internal codes of conduct, but only with enforcement, thereby generating ethical ambiguity and practical strain.

5.2.11 The Type of Ethical Decision

Ford and Richardson (1994) suggested that the *types of ethical decisions* and dilemma facing a manager also affected the manager's moral reasoning and decision making, noting "that some activities (e.g. falsifying reports, passing blame for errors versus giving gifts, not reporting others' violations) are viewed as more unethical than other activities" (Ford & Richardson, 1994, p. 216).

This is confirmed in this industry, where decisions deemed to have little impact, such as issuing refunds, lead to SMLs acting against the rules, while other decisions, such as selling cannabis to youth, are strictly enforced. However, this industry faces numerous staffing decisions, including the acceptance of kickbacks (data deals), among others. This pushes SMLs to act sometimes ethically (by offering living wages, philanthropy, etc.) and sometimes unethically (grey marketing, refunds, etc.).

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The types of ethical decisions extend to another factor, identified by Ford and Richardson (1994), named *Organizational Effect*, where the actions of the company influence those of the employee. Organizational effects include elements of CSR theories, as discussed by Freeman (1984), Carroll (2016), and Craft (2013), who examined the influence of ethical leadership and cultural values on decision-making. Ethical practices are demonstrated through fair employee wages, training programs, and compliance with regulations, especially those related to age-gating youth. Several participants emphasized their commitment to the ethical sourcing of cannabis from reputable and trusted suppliers. However, to sustain the business, SMLs sometimes operate in grey areas, including staff scheduling, complaints against other retailers, and refunds for products, among others. These ESF practices align with Vergne (2012), who suggests that businesses may shift blame (moral disengagement), minimize harm (neutralization), or frame their actions as aligned with the greater good to gain legitimacy.

5.2.12 Business competitiveness

Business competitiveness, the last factor identified by Ford and Richardson (1994), impacts the ethical decisions of leaders in this industry. Ontario does not operate as a normal free market, and as already articulated. Oversaturation created hyper-competitive conditions and significant opportunities for unethical decisions. SMLs justified these unethical decisions with ESF, which is in line with O'Fallon and Butterfield's (2005) findings that industry-specific contextual factors, such as competitive pressures and organizational environments, can significantly influence ethical decision-

making. Ford and Richardson (1994) suggest that the nature of competition plays a role in ethical decision-making, but unlike Ford and Richardson's (1994) focus on internal organizational opportunities for unethical behaviour, the cannabis industry's competitive nature highlights external factors. Here, the nature of competition leads to unethical practices such as complaint-based enforcement and various grey area marketing practices, as noted in section 4.4.2, among others.

In summary, existing factors are recontextualized in this industry. A complex interplay of personal values, industry-specific and general factors, and regulatory constraints shapes ethical decision-making and justifies SML ESF. Ford and Richardson (1994) focused internally; however, this industry highlights the significance of external pressures. The recontextualization and blending of personal, organizational, and situational factors expanded on the findings of Ford and Richardson (1994).

5.3 Contributions to Literature

In addition to the various literature contribution discussed in section 5.1 and 5.2 related to identifying new factors and externalizing existing ones, as well as extension of various theory like Stigma Management Theory, Carroll's (2016) CSR pyramid, Spence's (2007) proximity theory, etc., this study makes further contributions to the literature by extending existing ethical decision-making research to the context of a newly legalized and stigmatized industry such as cannabis as follows.

5.3.1 Contribution to Ethical Decision-Making Frameworks (EDMFs)

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The EDMFs discussed in the literature review, such as Trevino's (1986) Person-Situation Interactionist Model, Ferrell and Gresham's (1985) Contingency Framework, and Hunt and Vitell's (1986, 2006) General Theory of Marketing Ethics, provide structured approaches to navigating moral dilemmas in marketing. However, the findings from Ontario's cannabis industry reveal that SMLs mainly rely on ad hoc decision-making. Therefore, some adaptations are proposed for existing EDMFs, not because they are theoretically incorrect, but because their underlying assumptions do not align with new factors and conditions in this industry, as reflected in the following assessments.

1. Lack of Industry-Specific Contextualization:

First, an industry like cannabis, with so many interlinked factors, requires dynamic ethical decision-making frameworks. Factors in this industry do not appear in isolation; rather, issues are influenced by multiple factors. Existing EDMFs are designed for broad business and marketing contexts, rather than for a complex industry that is still forming and has several contested attributes (Illicit market, enforcement, etc.) like cannabis. For example, existing frameworks do not fully incorporate stringent regulatory requirements, leaving legal compliance to be implicitly addressed. Furthermore, these models are rooted in deontological and teleological ethics as a basis for decision-making. In contrast, cannabis SMLs, while sometimes drawing on these ethical principles, also rely on several other lenses for ethical decision-making, shaped by situational pressures and survival needs. This demonstrates that existing frameworks do not fully capture the situational reasoning that characterizes ethical decision-making in this industry.

2. Framework Complexity

Many existing frameworks, such as Trevino's, may be complex to implement by untrained resources and assume that organizations have the resources to train managers or to conduct extensive consequence analyses. SMLs are often constrained and the sole decision-making in their businesses often lacks the financial and human resources to implement such frameworks effectively.

3. Lack of a Feedback Loop for Continuous Improvement

Existing frameworks are linear, focusing on resolving a single ethical dilemma without emphasizing post-decision evaluation; however, the cannabis industry is dynamic, with ethical dilemmas often intertwined with multiple factors that contribute to a given issue or decision. For example, if an SML opted to run an outdoor event in a neighbourhood to boost sales, while the campaign may initially seem ethical and effective, public or local parent feedback could reveal that the event was poorly received and not appealing to youth. Without a built-in mechanism for feedback, reflection, and adjustment, SMLs and the industry may be hurt, given the industry's evolving nature.

4. Balancing Competing Priorities in Cannabis:

SMLs in Ontario face unique trade-offs, such as balancing cost-cutting with accepting data deals, regulatory compliance with illicit market competition, and community expectations with profitability. Existing frameworks do not explicitly address these tensions as they never integrated or anticipated a market such as cannabis where the open co-existence of legal and illicit markets. Similarly, these

frameworks did not incorporate rejection of community engagement due to stigma.

This study provides a significant contribution by bridging established EDMFs with newly identified and recontextualized factors that shape ethical decisions by proposing a new framework designed for stigmatized industries, as discussed next.

5.3.2 Stigmatized Industries Decision-Making (SIDM) Framework

This study has shown how stigma influences the cannabis industry and as stated by all SMLs, is the most significant factor they face. Thus, a new industry-specific framework is proposed for this industry or similar stigmatized industries, named the Stigmatized Industries Decision-Making (SIDM) framework. This framework, which incorporates an ethical decision process with it, as shown in Figure 17, integrates elements from existing models while addressing cannabis-specific factors. It is designed to guide SMLs in making ethical decisions that balance profitability, compliance, and societal impact.

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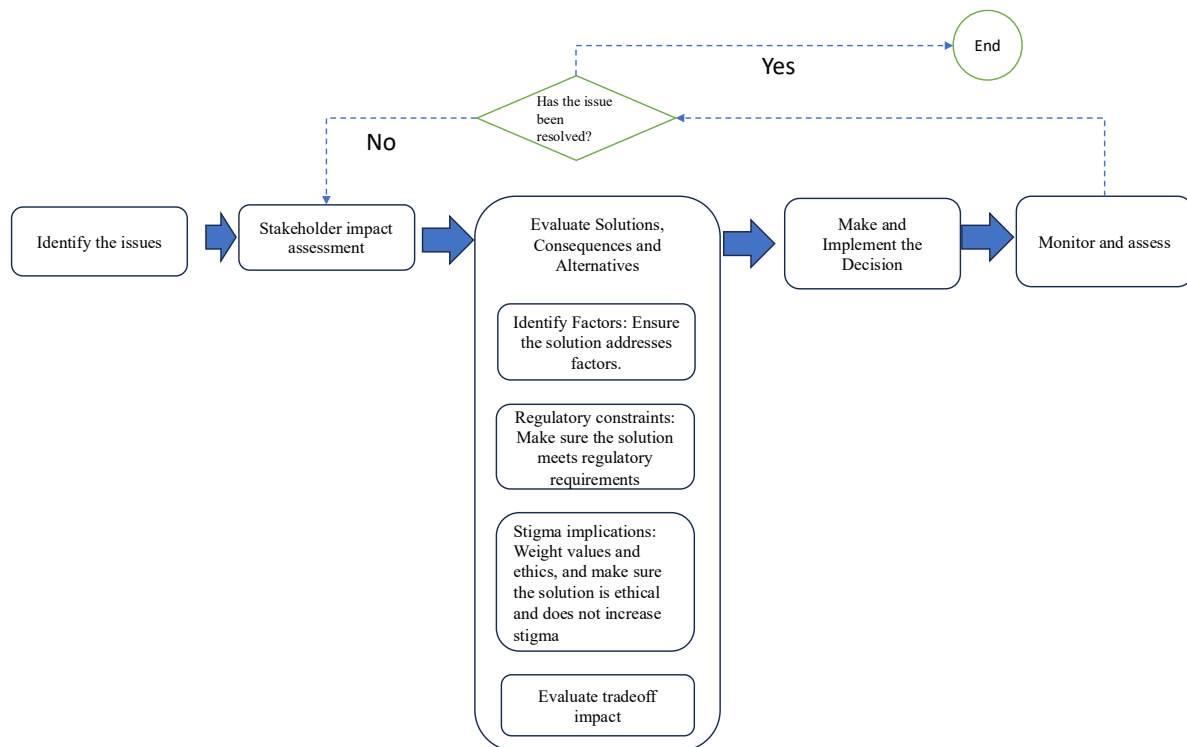


Figure 17 Stigmatized Industries - Decision Making (SIDM) Framework

The framework, which has five steps, is described below.

Step 1: Identify the Issues

Define the ethical dilemma (e.g., cutting staff hours to save money). Draws from Jones' (1991) Moral Intensity Model to assess issue characteristics (e.g., magnitude of consequences, social consensus). For cannabis, issues like youth access to cannabis shops are tied to having two staff members, and thus, this issue may have high moral intensity due to youth exposure risks.

Step 2: Stakeholder Impact Assessment

Identify impacted stakeholders (e.g., consumers, regulators, employees, and the community) and their respective expectations. This incorporates Mitchell et al.'s (1997) salience model to ensure stakeholder impacts are considered. In the cannabis context, this includes Health Canada, local communities, and consumers expecting safe products, etc.

Step 3: Evaluate Solutions, Consequences and Alternatives

This step draws on Hunt and Vitell's (1996, 2000) General Theory of Marketing Ethics, which explains how leaders systematically weigh alternatives and their perceived consequences against. In this process, proposed solutions from SMLs should be evaluated against the following criteria:

1. Comprehensiveness – Does the solution address all relevant factors involved in the dilemma?
2. Legal and regulatory compliance – Does the solution align with Canada's Cannabis Act as well as AGCO and OCS requirements?
3. Ethical feasibility – Is the solution both ethically sound and practically implementable, taking into account personal values, moral development, organizational culture, and societal stigma?
4. Consequences and trade-offs – What are the short and long-term impacts of the decision, and how do trade-offs play out (for example, cost versus safety, or attracting new customers versus maintaining legal compliance)?

Step 4: Make and Implement the Decision

This step incorporates various ethical constructs and aligns with Markkula's (2021) emphasis on transparency and accountability, ensuring decisions are communicated to stakeholders (e.g., public disclosure of testing protocols). In this step, SMLs select the option that best balances ethical principles, stakeholder needs, and regulatory requirements, and then implement it with transparency.

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In practice, cannabis SMLs do not consistently follow one ethical school of thought. Unlike frameworks discussed above, which are grounded in deontology (universal duties) or teleology (maximizing outcomes), decision-making in this type of industry is often situational or relativist. Leaders adopt a varied approach, choosing the stance that best fits the pressures they face at a given time. For instance, among others, SMLs may emphasize:

- Deontology: Strict adherence to not serving youth
- Utilitarianism: Maximize overall benefits as described in the ESF
- Virtue ethics: Personal education and training
- Ethics of Care: Desire for youth education for responsible consumption
- Justice: Ensure fairness (e.g., equitable labour practices)
- Sustainability: Source products from producers that prioritize health and environmental concerns related to the use of pesticides and chemicals

Step 5: Monitor and assess

Evaluate the decision's outcomes and adjust organizational practices to prevent future dilemmas. This incorporates a feedback loop, inspired by Hunt and Vitell's (1986, 2006) iterative process, to strengthen ethical culture in SMLs.

The SIDM framework is not intended as a universal framework of ethical behaviour, but as a tool grounded in participants' lived experiences, designed to reflect how ethical decisions are made under conditions of stigma and regulatory constraint and the various factors discussed already. Thus, this framework helps SMLs navigate ethical dilemmas systematically, balancing profitability with regulatory and social responsibilities in stigmatized industries, thereby distinguishing it from existing EDMFs.

While the SIDM framework is based on the cannabis industry, the underlying dynamics of a newly formed industry, stigma, and regulatory asymmetry suggest relevance to other similar industries.

5.3.3 Contribution to Literature Related to Factors Influencing EDM

This study presents a new dataset for the cannabis industry in Ontario (Chapter 4) that can be used by policymakers and academics in future research. This is the first set of data that reflects the voices of SMLs and may help those studying the understory understand their lived experiences.

Data presented in Section 4.4.2 on marketing activities may provide important details not currently available in academic studies of marketing practices in the cannabis industry. This study, while able to confirm that cannabis SMLs use social media to market, is not able to determine who, among the many who use social media, deliberately target youth as producers and sellers in both legal and illicit markets, use these channels. A nuanced understanding of these actors' activities will help guide future academic research.

The study makes several contributions to existing literature related to factors influencing EDM, as it contextualizes factors discussed by Ford and Richardson (1994), offers a modern perspective on many of them, evaluates them from a small business perspective and interprets their impacts on SMLs and the cannabis industry.

The cannabis industry's unique context introduces eight new factors which are detailed in section 5.1: stigma, unfairness, technology, and five government-related factors (licensing, illicit markets, red tape, supply controls, and legal compliance). The eight new factors, particularly stigma, unfairness and government influence, provide new

lenses for understanding ethical decision-making in stigmatized and contexts industry like cannabis, extending the work of Ford and Richardson (1994) and Tsalikis and Fritzsche (2013). Indeed, some factors, such as technology, were not mentioned in the original 1994 study but were introduced by Lehnert et al. (2016) and recontextualized in this study and detailed in Section 5.1.3. This study helps explain how factors influence ethical decision-making in stigmatized industries as discussed in 5.1.1. The study also bridges CSR theory, especially Carroll (2016), in Section 5.1.2, where a new Cannabis Pyramid of CSR for the cannabis industry is proposed.

Finally, based on this study's analysis of industry conditions and SMLs' strong emphasis on industry-specific factors playing a more influential role in ethical decision-making compared to commonly cited general factors such as age, peer pressure, or locus of control. This interpretation requires further empirical validation.

5.4 Recommendations for SMLs

These recommendations are based on how SMLs described dealing with day to day pressures that affect their ethical decisions. The goal is not to improve performance in general, but to make ethical decisions easier and more consistent under competitive and regulatory stress.

Oversaturation and strong competition were frequently linked to ethical tension between retailers. This pressure often led to conflict and short-term thinking. Working together, especially on community education and local outreach, may reduce this pressure by shifting decisions away from constant competition. Collective action may

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also help SMLs communicate more effectively with the AGCO, which could reduce feelings of unfair treatment that were shown to influence ethical judgment.

SMLs described their customers as highly local. Ethical marketing decisions may therefore be easier to maintain when retailers focus on local and accountable channels. These include in store education, word of mouth, search engine optimization, and Google Maps visibility. Many SMLs reported that social media was ineffective, yet continued to use it. Given its global reach and limited audience control, continued use may create ethical risk, particularly in relation to youth exposure. More careful evaluation of these channels may reduce ethical uncertainty.

SMLs are encouraged to clearly identify their key stakeholders and understand their responsibilities toward each group, including regulators, employees, and the local community. Clearer stakeholder awareness may reduce stigma and support more consistent ethical choices. Participants also supported continued philanthropic activity when it aligns with community values and is carried out openly, rather than as a way to offset other business practices.

Despite the government's strong control over the supply chain, closer relationships with producers may reduce ethical pressure by creating legitimate ways to differentiate products. Education focused partnerships and product development may reduce reliance on aggressive marketing or data driven practices that SMLs described as ethically uncomfortable.

Finally, SMLs are encouraged to integrate the SIDM framework into their decision-making in the cannabis industry. The framework incorporates stigma and government influence to systematically evaluate marketing decisions, balancing deontological compliance with teleological outcomes like community trust. It prioritizes relational trust and community engagement to counter stigma and prevent unethical practices such as greenwashing, and adopts transparent practices, builds customer trust, and complies with regulations.

5.5 Recommendations for Future Research

This study highlights several areas where further research is needed to deepen the understanding of ethical decision-making in newly legalized and stigmatized industries. While the present findings identify key factors shaping SML DM, the scope of this qualitative study limits the ability to fully assess their relative influence or broader applicability.

Future research should build on the factors identified here by examining their interaction and relative weight across different contexts. While this study identifies stigma, unfairness, technology, and government-related factors as influential, quantitative or comparative studies could assess how these factors operate across jurisdictions, firm sizes, or stages of industry development.

The role of stigma warrants focused and sustained investigation. Although stigma emerged as a central influence on ethical reasoning for all participants, it remains underexplored in both cannabis and ethical decision-making literatures. Future studies

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could examine how stigma affects different stakeholder groups, including regulators, financiers, landlords, parents, and educators, and how stigma shapes regulatory design, enforcement practices, and ethical expectations over time.

This study contributes new primary data from interviews with SMLs in Ontario's cannabis industry, offering insight into marketing practices in a market where both legal and illicit actors operate. While this study captures SMLs' perceptions of illicit competition, it does not directly examine the behaviours of illicit operators or their effects on youth and community outcomes. Given that multiple stakeholders across legal and illicit markets engage in advertising, future research should examine how these actors shape industry dynamics and ethical conditions. Including illicit operators and other stakeholders would help clarify the sources of harmful practices, better assess impacts on youth, and support more targeted regulatory and enforcement responses.

Future research could examine how specific regulatory features, such as product and purchase limits, affect perceptions of fairness and legitimacy, and how these perceptions influence ethical judgment and compliance behaviour. Comparative studies across regulated industries, such as cannabis and alcohol, may be particularly useful in clarifying these effects. The illicit market and its impact on ethical decision making warrant future studies, further investigation into how uneven enforcement against illicit operators affects ethical commitment to rule adherence among compliant firms. Research could also explore whether perceived enforcement asymmetry increases moral rationalization or boundary pushing behaviour in legal markets.

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This study extends existing CSR literature proposing a modification to Carroll's CSR pyramid to the cannabis industry and proposing a new framework that integrates EDMF with stakeholder theory. While these contributions offer a useful way to interpret ethical decision making in cannabis, they require further validation and expansion to other stigmatized industries. Future research should examine the applicability of this integrated framework across similar industries and validate its assumptions.

Further, the cannabis industry presents unique opportunities to integrate diverse fields of study, including business, law, compliance, ethics, cannabis science, stigmatization, and CSR. Researchers may benefit from interdisciplinary approaches, combining literature from these areas to analyze this and similar industries. Such cross-disciplinary research could develop hybrid frameworks to generate more comprehensive insights into ethical leadership in regulated, stigmatized, and emerging markets.

Together, these directions would extend the findings of this study by moving beyond the identification of factors toward testing, comparison, and policy design, thereby strengthening ethical decision-making research in stigmatized and highly regulated industries.

Chapter 6. Conclusion

This study aimed to answer the research question: “*What factors influence cannabis SMLs’ ethical decision making?*” The findings revealed that several factors influence SML’s ethical decision-making. These factors include regulatory challenges, societal stigma, technological innovation, and market pressures stemming from both legal and illicit competitors. These influences shape not only how SMLs conduct marketing but also how they navigate broader ethical challenges within their organizations.

The study revealed that SMLs frequently operate under conflicting pressures and personal stress. The government's regulatory framework versus the need to remain competitive in a market that is still heavily impacted by illicit operators. These tensions manifest in ethical dilemmas, causing them to engage in "grey area" practices, such as hosting events or accepting cash kickbacks disguised as data deals.

6.1 Limitations of this Research

This study took place in Ontario and focuses solely on SMBs in the cannabis retail sector. As is typical in qualitative research, this design prioritizes in-depth exploration within a specific context, which inherently limits statistical generalizability to other jurisdictions, sectors, or stakeholders. This is an expected and deliberate choice that deepens the study within a single regulatory and unique market environment. As a result, the study’s findings only apply to this jurisdiction and the cannabis SMB market. The study included only SML participants and did not solicit input from other

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stakeholders, such as large corporations, producers, the government, or consumers. The implication of this relates to a broader understanding of the advertising of cannabis toward youth by parties other than stakeholders in the supply chain.

Another limitation is the time spent with each SML during the interview, which was constrained. Longer and repeated visits and observations may have yielded a richer understanding of the factors. Multiple interviews, participant availability, and the depth of responses may have limited the quality and quantity of the collected data. Participants may have had varying levels of comfort discussing concepts such as ethics, leadership, stakeholder relations, etc., which may have influenced the quality of their responses.

The study relied on a single method; the interviews and content analysis were based on Elo and Kyngäs (2008), which, while it lacks the statistical generalizability of quantitative methods, was deliberately chosen to explore an under-researched phenomenon in depth and generate context-specific insights that quantitative methods might overlook. For instance, the identified factors influencing ethical decision-making could be studied in a survey to test them in larger samples across jurisdictions, allowing for statistical validation of the patterns observed here. As with most qualitative research, the potential for researcher bias exists in how data is interpreted and categorized; however, this was mitigated through the procedures discussed in 3.4, which included participant approval of the script, systematic coding as per Elo and Kyngäs (2008), and with interviews being coded independently.

Furthermore, the study's analysis focused on two areas of research. The first is a specific focus and main analysis of factors that impact EDM, as per Ford and Richardson

(1994). The second area related to EDM Frameworks, such as Hunt and Vitell (2006), stakeholder salience as per Mitchell et al. (1997), and CSR as per Carroll (2016), which were used to contextualize and interpret these factors, enhancing understanding of their impact on EDM. While this approach provides a strong ethical and EDM lens, it did not incorporate perspectives from Stigma Management Theory (SMT), which was identified later in this study. The absence of an SMT perspective limits the theoretical depth of the analysis regarding how SMLs manage or respond to stigma in ethical decision contexts. Further, integrating SMT could have explained the mechanisms through which stigma influences EDM in emerging or stigmatized industries.

6.2 Beneficiaries

Three constituents benefit from this study's findings. First, SMLs understand the factors influencing them. The proposed SIDM framework can help them balance competing needs and enhance ethical practices. SMLs now have a better view of all the factors impacting their industry. They will also be aware of how other SMLs are addressing the factors facing the industry. SMLs will benefit from understanding the implications of grey or illegal practices in the industry and can use this knowledge to improve their operations. SMLs can also benefit from the findings by working with the regulator to address the factors outlined in the study. Second, policymakers benefit from the data gathered and analyzed in this study and can use this study to rethink the long-term model for legalizing cannabis or any other illicit product. Third, researchers, especially those studying cannabis and cannabis marketing, can benefit from a detailed analysis of how this industry operates and can enhance future studies by understanding

the various stakeholders in this industry and the role they play, especially the continued role of the illicit market.

6.3 Final Conclusion

This study sought to understand the factors influencing ethical decision-making (EDM) among cannabis retailers in Ontario. Rather than revealing consistent patterns of EDM or reliance on formal EDMF, the findings point to ad hoc, situational ethical decisions shaped by persistent external pressure and the need to survive economically. EDM in this context is not guided by stable moral principles or formal codes of conduct, but by ongoing negotiation among regulation, competition, stigma, perceptions of unfairness, and survival.

Across interviews, participants did not reject the importance of ethics. They were highly aware of ethical considerations and actively grappled with them, particularly in relation to youth protection. However, they described operating within a system they perceived as structurally misaligned: one in which the government acts simultaneously as regulator, supplier, and competitor; illicit markets operate with limited enforcement; and stigma continues to shape public perception, policy design, and business legitimacy. Within this environment, ethical decisions were rarely framed as clear choices between right and wrong, but rather as decisions among imperfect options, each carrying different risks for stakeholders such as family members, employees, shareholders, and the broader community.

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These findings challenge assumptions embedded in many of the EDM and CSR literature, which may have assumed relatively stable markets, consistent enforcement, and sufficient organizational resources to support careful ethical deliberation. In contrast, this study shows that in newly formed, highly constrained, and understudied industries such as cannabis, ethical reasoning is often reactive, with actions justified by ESF logic that becomes the dominant lens for evaluating decisions.

Importantly, this study does not suggest that unethical decision making is justified or inevitable. Instead, it demonstrates how structural conditions shape how actions are interpreted and rationalized. If regulatory systems and enforcement are perceived as unfair, a risk encouraging moral distancing and the normalization of grey-area practices can develop.

Beyond cannabis, these findings have broader implications for other newly legalized industries. As governments continue to regulate emerging markets, the cannabis sector offers a cautionary case. The contribution of this study, beyond identifying the factors that influence ethical decision-making, is to show how ethical decisions are made under sustained pressure. EDM in this industry is fundamentally survivalist and contextual, calling for theoretical, policy, and governance approaches that account for these realities.

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Appendix A: The Nature of Cannabis Sellers in Ontario

For this study, I looked at Ontario, Canada's largest province, in terms of population. According to the government of Ontario (AGCO, 2022), as of May 15, 2022, Ontario has approved 1,556 cannabis retail applications to date, with 442 additional locations at various stages of the approval process. This study reviewed and classified all approved Ontario retailers using a two-step process.

Step 1 – Data extraction.

- Data extraction of approved locations was downloaded from the province's website (AGCO, 2022). The data file was in .csv format and was converted to Microsoft Excel.
 - Microsoft Excel was used to sort, count, and group the data.
 - The data file was sorted by company name.
- A count of approved locations by name was conducted.
- It was assumed that each location has ten employees on average, and companies with less than five locations or 50 employees were considered an SMB, in accordance with Sen and Cowley (2012).
- Classification:
 - If a company name matched one location, it was classified as "Local."
 - If a company name matched one to five locations (less than 50 employees), it was classified as "Regional."

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- If the company name matched more than five locations, then the company website was visited, and an attempt was made to determine if the company fits one of the following categories.
 - "Large Franchise" (many locations, but each may be a small business)
 - "Large Provincial" Ontario only retailer
 - "Large National" Canada-wide retailer

Analysis

Cannabis in Ontario by size

Since legalization, Ontario has authorized 1,556 cannabis retail stores, with 658 companies operating these stores. On average, a company operates 2.33 stores, rounded down to two stores per company. Based on the classification used in this exploratory study, there are 429 "Local" companies operating a single retail store. There are 188 "Regional" companies operating between one and five retail locations. Combined "Local" and "Regional" companies operate a total of 942 locations out of 1556, or 60 percent. Finally, 41 "Large" companies operate a combined total of 614 locations. Of the prominent companies operating in Ontario, only seven (Tokyo Smoke, Spiritleaf, Canna Cabana, Fire and Flower, Value Buds, Friendly Stranger, and Trees Cannabis) operate nationally, with three of these (Value Buds, Fire and Flower, and Canna Cabana) being publicly traded companies.

Five of the Large companies (Tokyo Smoke, Sessions Cannabis, SPIRITLEAD, Miss Jones, Northern Helm) operate a franchise model where independent owners can

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acquire and operate a store. However, it is not clear from the company information how many of these stores are franchises.

The combined total of “Local,” “regional,” and “Franchise” stores in Ontario is 1110 or 71.5 percent of all stores, providing evidence that the cannabis industry in Ontario is primarily operated as an SMB owned by entrepreneurs who recently (in the past 5 years) entered this emerging market.

Appendix B: Interview Guide

The interview questions have been developed based on the literature to understand *what factors influence cannabis SMLs' ethical decision making?*

List of questions.

The first set of questions is intended to initiate dialogue and collect basic demographic information by answering general questions such as:

Q: How long have you had this business?

Q: How many stores do you have?

Q: Why did you decide to open a cannabis shop?

Q: Tell me about yourself; what did you do before opening a cannabis shop?

Q: Who typically shops here?

The second set of questions was intended to probe the main topic and gather information related to the research question. The questions below were used as a guide; in some cases, they were asked verbatim, and in other instances, they were not asked, as the interviewee may have already answered in their commentary. In some instances, the questions were slightly modified using slightly different wording while maintaining the meaning; this was adjusted to accommodate the flow of the interview.

Q: What is competition like in this industry?

Note: This question aims to explore issues related to competition, as discussed by the various studies related to factors especially Ford and Richardson (1994), and entrepreneurship, as mentioned by Vallaster et al. (2019).

Q: What is it like running a cannabis shop? What are some challenges (factors)?

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Note: This question is intended to explore issues related to competition as discussed by Ford and Richardson (1994)

Q: How do these challenges (factors) influence your day-to-day operations?

Q) How do these challenges (factors) influence your decisions?

Q: What are some non-economic challenges (factors) that come into play when running a cannabis shop?

Q: How do you go about finding new customers?

Note: This question is intended to explore issues related to cannabis marketing as discussed by various authors Chapter 2 Marketing and Cannabis, as well as literature on factors discussed by Ford and Richardson (1994) and Laczniaak and Murphy (2012)

Q: Walk me through the process of running a marketing campaign. Who is involved? What do you take into account (factors) when you are in the design phase and when you run one?

Q: How do the challenges (factors) you mentioned before impacting your marketing campaigns?

Q: How do you resolve issues that arise from marketing campaigns?

Q: In your opinion, what role does ethics play in the decisions cannabis leaders take when marketing?

Q: How do any of the challenges (factors) you mentioned already challenge your ethical beliefs and values?

Q: Who do you think are your stakeholders? How do you engage with them?

Note: This section explores literature related to stakeholder salience concepts, as discussed by Mitchell et al. (1997), and Carroll (1991),

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Q: In your opinion, what role does CSR play in the cannabis industry, and how do you approach it?

Q: In your opinion, what can the cannabis industry do more to make sure children are protected from seeing marketing messages?

Q: In your opinion, what can the cannabis industry do more off to help operators stay compliant with rules, laws and regulations?

Appendix C: Certificate of Ethics Approval



CERTIFICATION OF ETHICAL APPROVAL - RENEWAL

The Athabasca University Research Ethics Board (REB) has reviewed and approved the research project noted below. The REB is constituted and operates in accordance with the current version of the Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans (TCPS2) and Athabasca University Policy and Procedures.

Ethics File No.: 25620

Principal Investigator:

Mr. Samer Farzley, Graduate Student
Faculty of Business/Doctor of Business Administration (DBA)

Supervisor/Project Team:

Dr. Eduardo Ordóñez Ponce (Supervisor)

Project Title:

Responsible Leadership: A focus on cannabis marketing in Ontario

Effective Date: February 18, 2025

Expiry Date: February 18, 2026

Restrictions:

Any modification/amendment to the approved research must be submitted to the AUREB for approval prior to proceeding. Any adverse event or incidental findings must be reported to the AUREB as soon as possible, for review.

Ethical approval is valid *for a period of one year*. A request for renewal must be submitted and approved by the above expiry date if a project is ongoing beyond one year.

An Ethics Final Report must be submitted when the research is complete (*i.e. all participant contact and data collection is concluded, no follow-up with participants is anticipated and findings have been made available/provided to participants (if applicable)*) or the research is terminated.

Approved by:

Date: January 20, 2025

Katie MacDonald, Chair
Athabasca University Research Ethics Board

Athabasca University Research Ethics Board
1 University Drive, Athabasca AB, Canada T9S 3A3
E-mail: rebeo@athabascau.ca Telephone: 780.213.2033

Appendix D: Identified Cannabis Companies

Name of company	Reason for insertion
GREEN VALLEY CANNABIS COMPANY	https://www.instagram.com/greenvalleycannabiscompany/?igshid=MzRlODBiNWFiZA%3D%3D
10 Seventeen	branding
6 of Spade	https://www.hiqcannabis.com/
6ix Cannabis	branding
710 Kingston	branding
Baker and Blazer Cannabis Co.	emoji https://www.instagram.com/p/Ctw8fB4J5_B/
Bananas	No Verification, cartoon characters
BEST BUDS FOREVER	No Age verification
Big River Cannabis	branding
Blazeco Cannabis	Branding
Blue Haven Cannabis	https://www.instagram.com/p/Cr1y_TasicK/
BLUNT AND CHERRY	https://www.instagram.com/p/CqUUPCjtIMU/?hl=en
Bodega Boyz	https://www.instagram.com/p/C1udhchxkbC/
Bogarts Cannabis	Branding
BRO CANNABIS INC.	INDUCEMENT
Bud Room	
BUDSSMOKE	Store front
Buzzed Buds	branding
BYTOWN BUDZZ	
Cannabis Camel	https://www.instagram.com/bluntxcherry/
Cannabis Cupboard	Branding
Cannabis Emporium	https://www.instagram.com/p/CUVDTfmru3r/
Cannaverse	https://www.instagram.com/p/CrtV52gOtvv/
Capital Cannabis	https://www.instagram.com/p/CwikeEOx2IH/?hl=en
Cheech & Chung Cannabis	branding
Cheerful Charlie's Cannabis Co.	No Age verification
Chill Cannabis	https://www.instagram.com/kushkorerlakeshore
Chillin Buds	https://happywaycannabis.ca/
CIRCA 1818	https://www.instagram.com/p/CrG53yruZD7/
CK Cannabis	https://www.instagram.com/p/CsgoquYOFBn/
Collective Growers	https://www.instagram.com/reel/Cisy2uOrepb/
Cookies	Verification

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Cosmic Charlie's	Branding
Creeside Greens	https://www.instagram.com/p/CcgnUVOs5IV/
DAY 'N' NITE CANNABIS	Website branding
dream cannabis	Branding
DREAM CANNABIS	https://www.instagram.com/p/C0oj7lcu3Ln/
FIRE & FLOWER CANNABIS CO.	https://www.instagram.com/p/CpvQ9GSrbaS/
Flower Haze Cannabis Boutique	https://www.instagram.com/p/CIMHCV_MXT_/
Flower Pot	Branding
Flowers Cannabis	Loyalty rewards
Fogtown Flower	https://www.instagram.com/p/Cs4MrXbulb1/
FOREVER BUDS	https://www.instagram.com/reel/C2AdAqPONwf/
Friendly Stranger	https://www.tbcontario.com/
Gather and Grow Recreational Cannabis	https://www.instagram.com/p/C14QugPOwFb/
Giggles Cannabis	https://www.instagram.com/p/C1w6L72sK9d/
Go Hi Ltd	https://www.instagram.com/fogtownflower.to/
Golden Tree Cannabis	branding
GOOD COOKIE	https://www.instagram.com/reel/CXoibynP59Q/
Good Nature Cannabis	Branding
Graffiti Cannabis Co.	Branding
GREEN APPLE CANNABIS	https://www.pinkaliencannabis.ca/
GreenSeal Cannabis Co.	Branding
Groove Cannabis Co. Inc.	https://www.instagram.com/p/CrBCGWdu8Ka/?hl=en
HAPPY DAYZ	https://twitter.com/utopiatoronto
HAPPY WAY CANNABIS	https://www.facebook.com/HAPPY.DAYZ.CA/
Heavenly Hemp	Branding
Hello Cannabis	Branding
Hemisphere Cannabis Co.	Branding
HERB N BUD	https://twitter.com/intheweedjar
Hey Bud	branding
Higher Ground Cannabis	Branding
HIGHQ	Inducement
I LOVE CANNABIS	https://ilovecannabis.ca/cgi-sys/suspendedpage.cgi
Ingram & Sons Cannabis Co.	https://www.instagram.com/whiterabbitcanna/
Insalata	https://www.instagram.com/p/CKgtxLOh58k/
IPOT	https://www.instagram.com/insalata.canada

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King of Queens Cannabis Company	https://www.paramountcannabis.ca/
KINGSTON CANNABIS INC.	https://www.instagram.com/p/C1Ib_sCLpMR/
Kroniclez	Branding
Kryptonite Cannabis	https://www.instagram.com/kushhouse.official/
KUSH KORNER CANNABIS	https://www.instagram.com/herbnbud/
Kushys	Website branding
Mary J's Cannabis	branding
Matchbox Cannabis	https://www.instagram.com/kryptonitecanna/
MC CANNABIS	https://www.instagram.com/reel/CiXg3aANb7D/
MEXICANNABIS	No Age verification
Minerva Cannabis	Branding
Moonlight Cannabis	https://www.instagram.com/MoonlightCannabisMN/
Munchies Cannabis	https://www.munchiescannabis.ca/
Natural Mystic Cannabis & CBD	https://www.instagram.com/naturalmysticcottawa/
NEKU CANNABIS	Branding
Oki Cannabis	https://www.instagram.com/goldentree_cannabis
Ouid	https://ouid.com/
OUT & ABOUT CANNABIS	https://www.instagram.com/outaboutca/?hl=en
Pakalolo	Branding
Paradise AIR	https://www.instagram.com/mexicannabis.ca/?img_index=1
Paramount Cannabis	branding
Pink Alien	https://www.instagram.com/okicannabis/
Planet Earth Cannabis	Branding
Plateau	https://plateaushop.com/#
Pop's Cannabis Co. Smiths Falls	https://popscannabis.ca/
Pot of Gold	https://www.instagram.com/cornwallpog/
Pure Leaf	Branding
PURPLE MOOSE	https://www.instagram.com/paradisecaircanada/
RABBT HOLE	https://www.instagram.com/rabbt.hole/
ROLL'D Cannabis Co	Branding
Rose Gold Cannabis	https://www.instagram.com/p/C0uEf-6rOgI/
Stash & Co	
Superette	https://www.instagram.com/rabbt.hole/
Taste Buds Cannabis	No Age verification
The Bakery Cannabis	branding
The Bend Cannabis Co.	Branding

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The Green Bouquet Cannabis Inc	Branding
The Gym Cannabis	https://www.instagram.com/p/CyuDcGPOkO8/
The Underground Cannabis Store	Branding
Tonik Cannabis Inc.	Branding
Twist Cannabis	Branding
Unplug Cannabis Co.	https://www.instagram.com/p/CjDvyxarzTC/
UpHi Cannabis Emporium	Branding
Utopia Cannabis	https://www.instagram.com/purplemoosecanada
Wavy	Branding
Wavy Buds Recreational Cannabis	Branding
WE'D	https://www.instagram.com/thegym_cannabis/
WEEDJAR	https://www.instagram.com/p/CihIED2ufcH/?img_index=1
White Rabbit Cannabis	https://www.instagram.com/shop_thebakery/
WILLY'S CANNABIS SUPPLY CO.	Branding
YOUR KUSH HOUSE	Branding
Zephyr Cannabis	https://www.instagram.com/zephyr_cannabis/?hl=en

Appendix E: Email and Invitation Letter

Email

Hello

I am a researcher at Athabasca University and I am conducting a research study on stakeholder relations in the cannabis industry. I believe that you may be a valuable source of information for my study, and I would be honored to have your participation.

The study will involve a 60-minute interview and I will be sharing the results of my research with you at its completion. This study will benefit the cannabis industry by documenting how cannabis leaders approach the various stakeholders in the province.

Thank you for your time and consideration, and I hope to hear from you soon.

Sincerely,

Samer Forzley
Doctor of Business Administration student
Athabasca university
6138846119
sforzley1@learn.athabasca.ca

Letter

Dear Owner/Manager

I am a researcher at Athabasca University and I am writing to express my interest in conducting a research study on stakeholder relations in the cannabis industry, and I believe that you may be a valuable source of information for my study, and I would be honored to have your participation.

The purpose of my study is to understand how cannabis leaders approach different stakeholders in society, specifically, I am interested in understanding how your company communicates with different stakeholders. The study will involve a 60-minute interview and I will be sharing the results of my research with you at its completion. This study will benefit the cannabis industry by documenting how cannabis leaders approach the various stakeholders in the province.

I am reaching out to you because I believe that you may provide unique insights into my research topic. By participating in this study, you will be contributing to the advancement of knowledge in this field and helping to inform future research and practice.

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I would be happy to answer any questions you may have about the study, and I am open to discussing the research further at your convenience. Thank you for your time and consideration, and I hope to hear from you soon.

Sincerely,

Samer Forzley
Doctor of business administration student
Athabasca university
6138846119
Sforzley1@learn.athabasca.ca

Appendix F. Release Forms

Confidentiality Agreement for Research Study

Title: Stakeholder relations in the cannabis industry

Investigator: Samer Forzley

Institution: Athabasca University

Introduction:

As a participant in the research study on the stakeholder relations and strategies in the cannabis industry in Ontario, you may be providing confidential information to the investigator. This confidentiality agreement outlines the terms under which this information will be treated.

Confidentiality:

All information provided by you during the course of this study will be kept strictly confidential. The investigator will ensure that all identifying information is removed from the data to ensure anonymity. The data collected during the study will be used for research purposes only and will not be shared with any third-party without your prior consent.

Exceptions:

There are certain exceptions to this confidentiality agreement. If the investigator is required by law to disclose information, they may need to do so. In addition, if the investigator believes that you or someone else is in danger, they may need to disclose information to protect the safety of those involved.

Use of Information:

The information provided by you during the course of this study will be used for research purposes only. The data may be analyzed and reported in aggregate form, but no identifying information will be included in such reports without your prior consent.

Storage and Destruction of Information:

All data collected during the study will be stored in a secure location to ensure confidentiality. After the study is complete, the data will be retained for a period of time as required by the investigator's institution. After this period, the data will be destroyed in a secure manner to ensure that no identifying information is released.

Acknowledgement:

By signing below, you acknowledge that you have read and understand the terms of this confidentiality agreement and agree to comply with its terms. You also acknowledge that you have the right to revoke your consent at any time by contacting the investigator.

Lisa

Participant Name:

03/28/2024

Participant Signature: _____

Date: _____

Investigator Signature: _____

Date: _____ 03/28/2024

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Informed Consent Document for Research Study.

Title: Stakeholder relations in the cannabis industry in Ontario
Investigator: Samer Forzley
Institution: Athabasca University

Introduction:

You are being invited to participate in a research study on stakeholder relations in the cannabis industry in Ontario. The purpose of this study is to understand how leaders in the cannabis industry market their company products and services to different stakeholders. You have been identified as a potential participant because of your experience and expertise in this area.

Study Procedures:

If you agree to participate in this study, you will be asked to participate in a one-on-one interview with the investigator. The interview will be conducted either in person or via video conferencing using Microsoft teams, depending on your preference. The interview will last approximately 60 minutes. The investigator will ask you questions about your experience with marketing strategies in your business, including the techniques you use to communicate with different stakeholders.

Risks and Benefits:

There are minimal risks associated with participating in this study. However, there is a small risk of breach of confidentiality if unauthorized persons gain access to the research data. I will take every precaution to protect your privacy and confidentiality by storing all data in a secure location and removing any identifying information.

The potential benefits of participating in this study include contributing to the advancement of knowledge in the field of marketing strategies for small businesses. You may also benefit from the opportunity to reflect on and share your experiences with marketing strategies.

Voluntary Participation:

Participation in this study is voluntary. You may choose not to participate or withdraw from the study at any time without penalty or loss of benefits to which you are otherwise entitled. You are also free to skip any questions that you do not feel comfortable answering.

Confidentiality:

All information collected during this study will be kept confidential and will only be accessible to myself. The data collected will be used for research purposes only and will not be shared with any third-party. Once the interview is completed, I will transcribe it and email a copy to you for your review. You can make changes to the interview text to address any errors or omission in the transcript. You may also remove parts of the interview or decline to participate after reviewing the transcript. Once you approve the transcript, your name and any identifying information will be removed from the data to ensure anonymity and I will be assigning pseudonyms to identify the data instead of your personal information, from that point forward, you will not be able to modify the transcript or withdraw consent. Finally, the results of study will be disseminated to Athabasca University as part of my doctoral program.

Exceptions:

There are certain exceptions to this confidentiality agreement. If the investigator is required by law to disclose information, they may need to do so. In addition, if the investigator believes that you or someone else is in danger, they may need to disclose information to protect the safety of those involved.

Storage and Destruction of Information:

All data collected during the study will be stored in a secure location to ensure confidentiality. After the study is complete, the data will be retained for a period of time as required by the investigator's institution. After this period, the data will be destroyed in a secure manner to ensure that no identifying information is released.

Contact Information:

This study is being conducted as one of the fulfillment requirements for a Doctorate of Business Administration at Athabasca University. I am conducting this study under supervision of Dr Eduardo Ordonez-Ponce.

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If you have any questions or concerns about the study, you may contact my the investigator, Samer Forzley, at sforzley@learn.athabascau.ca, or my Supervisor Dr Eduardo Ordonez-Ponce at eordonezponce@athabascau.ca.

This study has been reviewed by the Athabasca University Research Ethics Board. Should you have any questions or concerns about your treatment as a participant in this study, please contact the Research Ethics Officer at rebsec@athabascau.ca or by phone 780.213.2033."

By signing below, you indicate that you have read and understood the information provided in this document and freely consent to participate in this study.

Participant Name: _____

Participant Signature: _____ Date: _____

Investigator Signature: _____ Date: _____

If you like to be identified during the dissemination of the study, please complete the following

YES NO

I agree to the use of direct quotation

I allow my name to be identified in any publications resulting from this project

Debriefing Form for Participation in a Research Study

Thank you for your participation in my study. Your participation is greatly appreciated.

Purpose of the Study:

Earlier in our invitation letter we informed you that the purpose of the study was to understand how cannabis leaders approach different stakeholders in the society, specifically, I am interested in understanding how communicate with different stakeholders. In actuality, my study is about understanding what factors influence cannabis business leaders and the impact of these factors on the their marketing related decision-making criteria. I also wanted to understand how these factors influence their ethics. Finally, I wanted to understand how cannabis industry leaders ensure that marketing activities do not reach youth.

Unfortunately, in order to properly collect the data without bias, I could not provide you with all of these details prior to your participation. This ensures that your reactions in this study were spontaneous and not influenced by prior knowledge about the purpose of the study. If we had told you the actual purposes of our study, your ability to provide spontaneous and unfiltered replies could have been affected. I regret the deception but we hope you understand the reason for it.

Confidentiality:

Please note that although the purpose of this study has changed from the originally stated purpose, everything else on the consent form is correct. This includes the ways in which we will keep your data confidential.

Now that you know the true purpose of our study and are fully informed, you may decide that you do not want your data used in this research. If you would like your data removed from the study and permanently deleted please indicate so by selecting that option and signing this document, see below.

Please do not disclose research procedures to anyone who might participate in this study in the future as this could affect the results of the study.

Final Report:

If you would like to receive a copy of the final report of this study (or a summary of the findings) when it is completed, please feel free to contact me.

Contact Information: If you have any questions or concerns regarding this study, its purpose or procedures, or if you have a research-related problem, please feel free to contact me at sforzley@learn.athabascau.ca, or my Supervisor Dr Eduardo Ordonez-Ponce at eordonezponce@athabascau.ca.

This study has been reviewed by the Athabasca University Research Ethics Board. Should you have any questions or concerns about your treatment as a participant in this study, please contact the Research Ethics Officer at rebsec@athabascau.ca or by phone 780.213.2033."

*****Please keep a copy of this form for your future reference. Once again, thank you for**

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your participation in this study!***

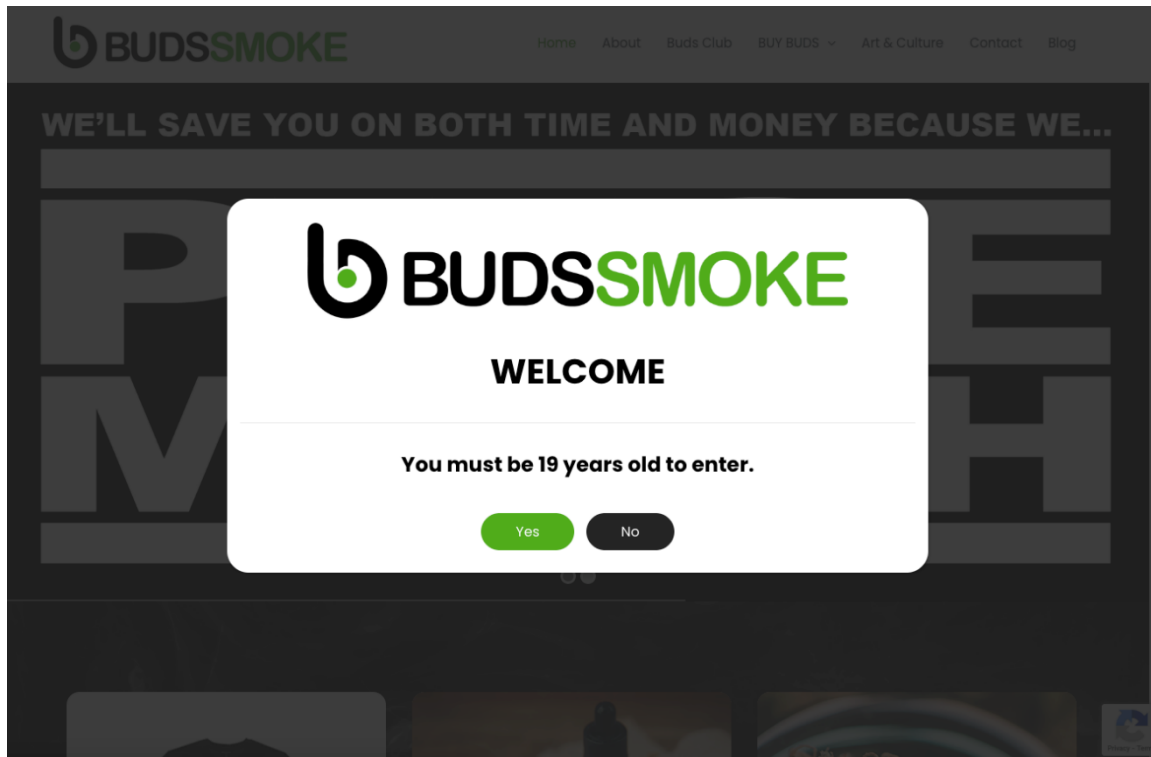
☐ I Permit my interview to be used

☐ I Withdraw my consent to my interview being used

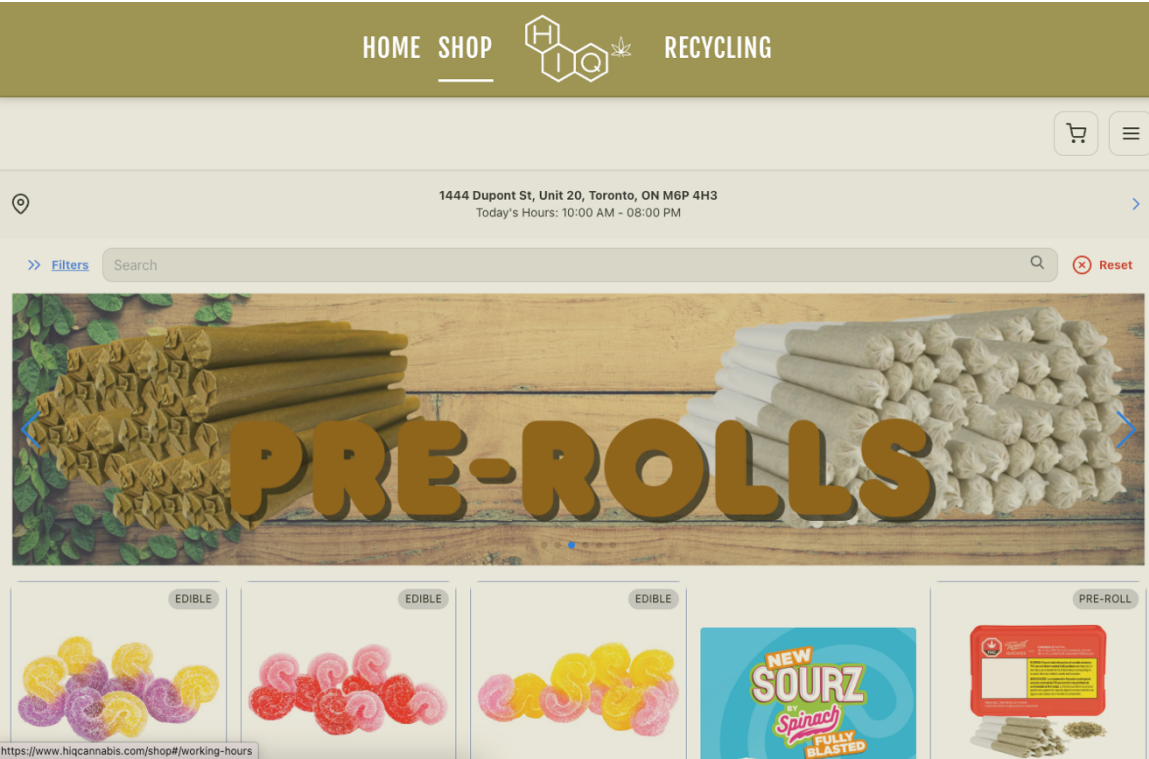
Name _____

Signature: _____

Appendix G – Age Verification



Appendix H – Website POS System (Dutchie)



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Appendix I – Sample ads



COME OVER. WE'RE GETTING HIGH.

@cabin7originals

zephyr_cannabis · Follow
Zephyr Cannabis

zephyr_cannabis Happy 420 Eve friends 🥳

It's almost that time of the year and Zephyr has you covered for whatever you need for tomorrow 🍀.

Comment below on your fav 420 memory & tag your go to sesh buddies 🥳

Amazing artwork by @cabin7originals

#cannart #cabin7originals #zephyr #localcannabisbrands #420 #cannacomunity #indica #sativa #cbd #cbdedibles #cannabeverages #highsociety #kanata #merrickville #ottawacannabis #cannalove #vape #smokeshop #smoke #cannaculture #maryjane #blunts #joints #weedlife #smokeweed #smokeweedeveryday #dank #stonersociety #cannamoms #stoners

148w

lali_1132 Promote it on @hempcraft_ ❤️

148w Reply

April 19, 2022

Add a comment... Post



rabbt.hole · Follow
Ottawa Capital Of Canada

rabbt.hole We're keeping things ✨ lit ✨ this Friday.

#rabbthole #smokewithus #takeatrip #downtherabbthole #eatme #drinkme #smokeme #420canadastyle #canada #cannabisconnoisseur #wonderland #merryjane #nugsandhugs #trippypics #budshots #dreamland #canabislife #canabislover #weedstagramfam

113w

sodapopstarbailey 🌿 🍷 🍷 ❤️

113w Reply

Liked by shelseyq and others
December 23, 2022

Add a comment... Post

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flowerscannabis_scarb · Follow

flowerscannabis_scarb 166w
Rolling through for this week's specials are Strawberry Fire OG by @gagacannabisca , Blue Gorilla by @muskokagrown and Kalifornia by @kolabproject 🌿🌿🌿

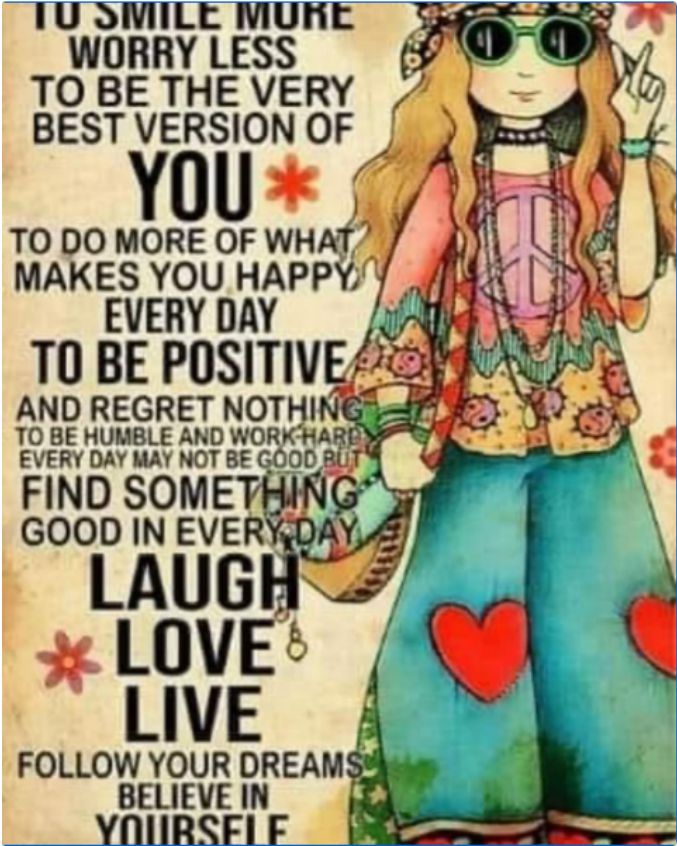
All weekly specials are 10% OFF
Don't forget to roll one and smoke one !! 🌿🌿

Happy Blazing for this awesome Saturday 🌿

#blazing #winterwonderland #Snowfall #huffpuff #huckand #rolling

Liked by kolabproject and others
December 18, 2021

Add a comment...



bluehavensmoke · Follow

bluehavensmoke 94w
Peace 🌿🌿🌿 #bluehavensmoke #bluehavencannabis #hippiestyle #hippielifestyle #hippielifestyle 🌿 #hippie

No comments yet.
Start the conversation.

May 4, 2023

Add a comment...

Appendix J – Branding







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