

# Public Relations: The Small Cap Company's Underappreciated Secret Weapon

*Gregg Castano, CEO, [Castano Communications Consulting](#)*

Much has been written over the years about the positive impact public relations can have on publicly traded companies' shareholder value. There is ample scholarly and professional literature available supporting this premise, but when it comes to small cap companies, it seems to have fallen on deaf ears.

It is quite likely that these companies don't recognize the cost-benefit of public relations, meaning they don't like the cost and don't see the benefit. You might also say it's a perception problem, as it's a good bet that most small cap CEO's consider public relations as an unnecessary, even trivial, luxury, if they even consider it at all.

Or maybe it's simply a matter of semantics. The purpose of public relations at its core is reputation management, and if it is characterized in this manner to senior executives at small cap companies, as perhaps it will be afforded more gravitas and relevance to their businesses.

It has been demonstrated beyond a reasonable doubt in numerous books, reports, articles and research studies (some cited below) that a good corporate reputation, considered an "intangible asset", brings benefits that are particularly salient to a small cap company. In fact, according to Forbes Magazine (2/1/10), intangible assets account for as much as 75% of a public company's market capitalization.

The available research indicates that positive perception of a company by the broader public can result in at least four favorable outcomes: lower cost of capital, an ability to attract new investors, increased market capitalization and stronger resistance to volatility.

On the flip side of the coin are the potential adverse effects of social media. You don't need a research study to understand the impact that a bad story gone viral can have on a company's reputation, and by extension its shareholder value.

As the saying goes, it takes years to build a positive reputation and a moment to destroy it. That has never been more pertinent than it is today, with the pervasiveness of the social web. Therefore, managing a company's social presence is reason enough to institute a reputation management program and provide the company with a sense of "social security".

Combining the proven rewards and prospective deterrents against risks that a strong reputation management program can offer, it would seem having such a policy would be a no-brainer for otherwise astute small cap corporate leaders. But clearly this is not the case. Which begs the obvious question: "Why he hell not?".

It may be that the necessary, if disproportionate, focus on investor relations by these firms begets an inflated sense of assurance that the corporate reputation is being adequately managed via interaction with shareholders, Wall Street and the financial media. This ignores or discounts the wider citizenry, who represent current and future customers as well as potential shareholders, most of whom pay scant attention to small cap finances and stock market performance.

But practicing effective and responsible investor relations need not preclude a company from employing an aggressive public relations strategy. The two should be complementary,

not competitive. In fact, an argument can be made that a company that neglects managing its reputation amongst the broader society can create risk and other headwinds for its investor relations efforts.

Possibly another factor in the dearth of public relations activity by small caps is an unfamiliarity with the types of subject matter that might resonate with the public. Every company has unique stories to tell and should strive to capture and promote those distinctive narratives. In addition, there is a convenient checklist of available topics that can be explored to provide fodder for any corporate public relations program.

Simon Cole, writing in World Economics (Vol. 13-No.3-July-September 2012) spelled out a useful inventory of themes that public companies can highlight to build a positive reputation. These include quality of management, innovation, quality of goods/products and services, corporate social responsibility, financial soundness, long-term investment value, use of corporate assets and people management.

[Public relations](#), reputation management – whatever label one wishes to give it – is increasingly and unavoidably becoming a predominant issue for small cap companies. No longer can this subject be dismissed or ignored as frivolous or irrelevant. Given the importance to the well-being of a publicly-traded corporation in the face of senior level reticence on the matter, shareholders themselves must begin advocating for its inclusion on the communications agenda of the companies they own.

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**About the Author:** Gregg Castano spent 32 years with Business Wire in various direct sales, sales management and executive management roles, including Co-COO, culminating in his appointment as president in 2009. While president, Castano was responsible for overseeing the sales and marketing functions, was instrumental in much of the company's international growth strategy and served on its executive committee, which guides company direction and strategy. He performed in this role until his departure in May, 2017. Subsequently, in October of 2017, Castano formed his own independent consulting practice. Castano Communications Consulting, LLC assists entrepreneurs, startups and Small Cap IPOs nationwide with their messaging strategies. He also specializes in offering industry guidance to investment banks and private equity firms exploring acquisition opportunities within this industry segment. [/author]

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