

# Survival Under Pressure:

How Small Businesses Changed  
the Game of Risk Management



## Key insights

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After five years of shocks and uncertainty many small businesses are rethinking their approach to risk management.

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Nearly two-thirds place more importance on resilience and business continuity than they did five years ago.

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A strong core purpose and empowered teams are key to navigating uncertainty with confidence.

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Against a backdrop of increased business interruption, small firms are reducing reliance on single sources of revenue and materials.

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Brokers play an essential role, with small firms seeking loss mitigation advice and taking out more insurance than they did pre-pandemic.



It is no exaggeration to call the COVID-19 pandemic and the resulting economic disruption one of the defining periods in small business history. Amid lockdowns and the shift to remote working, many firms saw a dramatic drop-off in revenues with long periods of business interruption.

Inflation rose and the cost of materials climbed sharply due to supply chain disruptions, leaving small businesses squeezed between rising expenses and stagnant income.<sup>1</sup> Despite government support, the crisis caused a high number of insolvencies within the sector.

However, in the five years since the start of the COVID-19 pandemic, another trend has emerged: those small businesses that were able to adapt to the volatility have emerged stronger, more productive and more innovative than their competitors.

To better understand how these companies are adapting and succeeding, Gallagher studied five years' worth of [risk evolution data](#). The results paint a picture of a more robust generation of companies with a greater appreciation for risk management and insurance.

# The new face of risk: Digital, people and operational risks dominate

The disruptive events between 2020 and 2025 — including the pandemic, the impact of extreme weather events, rising political instability and digital transformations — have increased the need for small business risk management.

Over half of business owners (57%) say the world has become a riskier and more uncertain place and 62% say they place more importance on risk management than they did five years ago.

The past five years have seen digital and operational risk dominate the priority list as firms experienced more business interruption and as the cyber threat grew.

Small business owners are increasingly concerned about the impact of AI and automation, as well as physical security threats. Attracting and retaining talent is a key issue, particularly as [AI-driven roles](#) rise in importance.

## Shifts in key business strategies since COVID-19

Small business owners' appreciation for risk management, insurance and innovation has grown since the start of COVID-19.

Importance placed on insurance

59%

Importance placed on risk management

62%

The level of innovation within your business

62%

Source: Gallagher Global Business Risk Evolution Survey 2025



# Adaptability and innovation: Key to post-pandemic growth

With a reputation for being agile and moving fast, it’s no surprise that 85% of the small business leaders Gallagher spoke to identify as being innovative. But their ability to thrive points to a deeper driver of success.

Asked about the traits of resilient companies, small business owners ranked the “ability to adapt,” “strong leadership” and “empowered employees” as their top three. This was followed by “strategic planning,” “strong vision and values” and “strong core purpose.”

Small firms have always relied on their employees to take on multiple roles, and this has emerged as a key strength in times of uncertainty. Decentralized decision-making has allowed teams to respond quickly and with authority to emerging situations.

## Top 10 pandemic-proven resilience traits according to small business leaders



Source: Gallagher Global Business Risk Evolution Survey 2025.

Over three-quarters of small business owners (77%) said they experienced a shift in their revenue makeup over the past five years, marked by the loss of some traditional income streams, as well as the emergence of new, unplanned sources to sustain growth.

To achieve this, they have expanded into new products and markets and invested in technology and R&D. The upside of these essential pivots? Just under two-thirds say the level of innovation within the business has grown.

Rather than buckle under pressure, many companies acted decisively during this period, adapting business models to find the opportunity.

A key factor cited by many small businesses is having a strong core purpose. This unwavering commitment to their core mission has proved crucial in the years since, helping them sustain their business, even in the face of unprecedented new challenges.

## On the frontline of climate change, small firms face up to extreme weather

Natural catastrophes and extreme weather events have continued to reshape the risk management landscape in the past five years. Many small firms have experienced losses and disruptions relating to extreme weather events like wildfires, tornadoes and floods.

According to Gallagher's research, smaller firms were more exposed to natural perils and extreme weather events over the past five years than their larger counterparts. Despite this, small business owners feel prepared to deal with climate change, with only 16% saying they feel unprepared, compared to a quarter of large firms.

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“Despite being among the most exposed, small businesses are also often the least prepared for climate change and extreme weather.”

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But this is beginning to change as they take proactive steps to prevent losses and safeguard their people and property.

Access to insurance is a strong incentive. In challenging property insurance markets, this has helped drive investment in loss prevention.

Ultimately, for small businesses, extreme weather is not just an environmental issue but also a threat to long-term survival. It calls for an alignment of insurance, policy and infrastructure investment that better [supports climate resilience](#), ensuring businesses and their communities can withstand the challenges of a changing climate.



# The shifting role of brokers and small business insurance

The disruptions caused by the pandemic left many small businesses feeling bruised. But in the years since, there has been a significant shift.

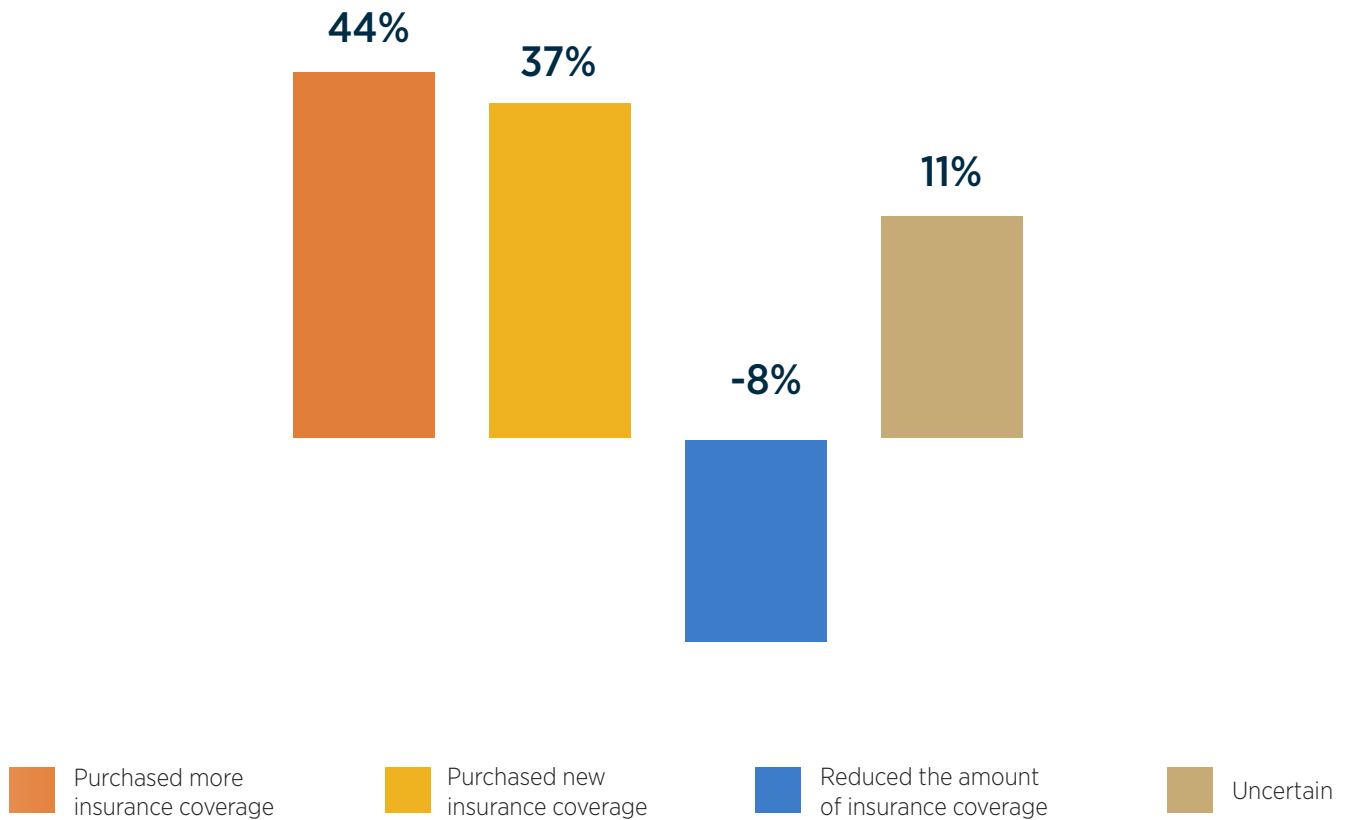
The business interruption disputes during the pandemic left some firms feeling exposed, revealing gaps between expectations and actual coverage. But COVID Business Interruption test cases have also offered more clarity, and business owners now feel more informed about how their insurance will respond to future losses.

They have recognized the need for active risk identification, with the role of brokers as essential risk advisors growing in importance. Of the respondents, 91% say they consult a broker before making insurance decisions.

For many firms, insurance has taken on more importance as business owners seek to mitigate the impact of disruptive events on their people and property. 59% say they value insurance more now than they did at the start of 2020, while a third say they feel more protected by their business insurance than they did five years ago.

Moreover, 44% of small firms have bought additional insurance protection in the past five years and 37% have taken out new insurance covers for the first time, including trade credit and cyber. This is despite the increasing cost of cover for just over half of respondents (53%).

## How the pandemic altered insurance purchasing



Source: Gallagher Global Business Risk Evolution Survey 2025.



As a result of taking out more protection, firms are more confident in their ability to deal with shocks and uncertainty than they were before COVID, according to 88% of small business owners. This suggests the tough lessons of the past five years have positioned them well for the future.

“The pandemic affected everyone at the same time but in different ways,” says Jen Tadin, regional president of Gallagher Small Business & Personal Insurance. “Many small businesses have come to recognize the importance of business continuity management and the value of insurance, while leaning more on their agents for risk advice and guidance.”

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“The upside of effective small business risk management has become evident and businesses that handle risk well have adapted better to the current landscape and are less likely to experience large losses.”

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Source

<sup>1</sup>Martos-Vila, Marc, and Zongtao Shi. [“Bankruptcy Filings During and After the COVID-19 Recession.”](#) American Bar Association (ABA), 18 Mar 2022.



## Spotlight



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