



PIKA RMS Insights

Why U.S. Small Businesses Fail—and How Risk Management Can Drive Long-Term Survival

In today's volatile business environment, small and medium-sized businesses (SMBs) across the United States face unprecedented challenges. From inflation and regulatory pressures to cyber threats and supply chain disruptions, the ability to anticipate and manage risks can mean the difference between thriving and shutting down. While entrepreneurs often focus on growth and innovation, statistics from federal sources reveal that **a lack of**

structured risk management is one of the leading reasons so many small businesses fail.



The Reality of Business Survival in the U.S.

According to the U.S. Small Business Administration (SBA) Office of Advocacy, only:

- 67.9% of new employer establishments survive at least two years.
- 49.2% remain open for five years.
- Just 33.8% survive a full decade.
- In 2022, the U.S. economy saw about 1.4 million new business establishments open, but nearly 1.2 million closed permanently within the same period.

These figures show a sobering reality: half of all U.S. small businesses shut down before they reach their fifth anniversary, and survival rates decline sharply from there.

Why Businesses Fail: A Risk Management Perspective

Business closures are rarely caused by a single event. Instead, they often stem from compounding risks that leaders fail to anticipate or mitigate. Key drivers include:

1. **Economic Volatility** – Rising inflation, interest rate hikes, and unexpected economic shifts can erode margins and cash flow.
2. **Supply Chain Disruptions** – The pandemic highlighted how fragile supply lines can be; many SMBs lacked contingency planning and suffered long-term consequences.
3. **Cybersecurity Vulnerabilities** – According to the U.S. Cybersecurity and Infrastructure Security Agency (CISA), small businesses remain a primary target for cyberattacks, yet most lack the resources to respond effectively.
4. **Compliance and Regulatory Pressures** – The SBA reports that small firms consistently identify compliance costs as one of their top burdens, limiting their ability to grow.
5. **Operational Failures** – Weak internal controls, outdated processes, or lack of continuity planning can leave businesses unable to recover from disruptions.
6. **Workforce Challenges** – Labor shortages, high turnover, and training gaps amplify operational risks and customer dissatisfaction.
7. **Natural and Man-Made Disasters** – FEMA has found that 40% of businesses impacted by a disaster never reopen, and of those that do, one-quarter fail within one year due to inadequate recovery planning.

Each of these risks highlights a simple truth: SMBs that lack formalized risk management strategies are far more likely to close their doors prematurely.



How Risk Management Can Extend Business Lifespan

Effective risk management provides more than protection—it builds resilience. Organizations with proactive risk strategies are able to:

- Reduce the impact of financial shocks through continuity planning.
- Maintain customer trust with crisis communication protocols.
- Protect sensitive data and operations against cyber threats.
- Navigate compliance obligations efficiently without slowing growth.
- Optimize processes and reduce costly inefficiencies.

PIKA RMS Helps U.S. SMBs Survive and Thrive

At PIKA RMS, we recognize that small businesses need enterprise-level risk management solutions delivered with agility and affordability. Our services are designed to help organizations across industries counter the exact risks identified above:

- **Business Continuity & Disaster Planning** – Customized recovery strategies ensure that SMBs can withstand economic downturns, natural disasters, and supply chain disruptions without prolonged closures.
- **Cyber & Data Protection** – Proactive monitoring, risk assessments, and response planning protect businesses from growing cybersecurity threats and data breaches.
- **Regulatory Compliance Frameworks** – Tailored governance solutions simplify complex regulations, reduce compliance burdens, and safeguard against costly penalties.



- **Operational Risk & Process Improvement** – Streamlined workflows and process optimization minimize inefficiencies, reduce human error, and boost profitability.
- **Crisis Communication Support** – Clear, transparent messaging strategies preserve brand reputation and customer trust even during disruptions.

By combining these strategies, **PIKA RMS helps businesses turn risk into resilience**, ensuring they not only survive challenges but emerge stronger, more efficient, and positioned for long-term growth.

If you would like to know more about how PIKA RMS can safeguard your organization, [click here](#) to contact [pikarms.com](#)