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BUSINESS MODEL INNOVATION AND MARKET ADAPTABILITY AS PREDICTORS OF START-UP SURVIVAL PERFORMANCE

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ABSTRACT

Start-up businesses play an important role in economic activity, innovation and employment generation, yet many young enterprises experience difficulties sustaining operations during the early years. This study examined whether Business Model Innovation and Market Adaptability significantly predict the survival performance of start-up businesses in Naval, Biliran. Specifically, Business Model Innovation was assessed through Value Proposition, Revenue Model and Operational Processes, while Market Adaptability was examined through Responsiveness, Agility and Customer Orientation. Survival Performance was assessed through Business Operation, Profitability and Market Share Retention. The study employed a quantitative approach using a survey questionnaire administered to fifty (50) start-up businesses in Naval, Biliran. Descriptive statistics were used to determine the levels of the study variables, while multiple linear regression was employed to determine the predictive relationship with Survival Performance. Results showed that Business Model Innovation was rated very high (M = 4.53, SD = 0.42), Market Adaptability was very high (M = 4.52, SD = 0.40) and Survival Performance was very high (M = 4.45, SD = 0.52). Regression results revealed that Business Model Innovation significantly predicted Survival Performance (B = 0.508, p = 0.002), while Market Adaptability also significantly predicted Survival Performance (B = 0.585, p < 0.001). The overall model was significant (F = 40.397, p < 0.001), with $R^2 = 0.632$ and adjusted $R^2 = 0.617$. The findings indicate that start-up survival is strongly associated with the capacity to innovate the business model and adapt to changing market conditions. Based on these findings, an Excel-Based Decision Support Tool for Start-Up Survival Assessment was proposed to assist entrepreneurs in identifying areas requiring improvement and making more informed business decisions.

KEYWORDS: *Start-Up, Survival Performance, Business Model Innovation, Market Adaptability, Decision Support Tool, Naval Biliran, Multiple Linear Regression*

INTRODUCTION

Start-ups refer to companies in the early stages of operation. These type of businesses are owned and manage by entrepreneurs who want to develop a products or services that has a possible market demand. These are companies whose system are not fully develop and limited capital for growth and future expansion (Grant, 2025). Additionally, AMT (2023) states that the average start-up stage typically lasts between two (2) to five (5) years. During this period, the business is still in its infancy and works toward developing products or services that can be offered to customers. Start-ups are generally characterized by relatively small size and young age, typically having fewer than 100 employees and operating for less than five years.

Start-ups play a vital role in promoting innovation, economic growth and employment generation. However, despite the economic significance, many new ventures struggle to survive during the early years. This makes business survival an important concern particularly because young firms need to continuously improve how to create value and respond to changing market conditions.

The survival of start-ups is a concern not only at the local level but also internationally. According to the Organization for Economic Co-operation and Development (OECD, 2025), only 50% to 70% of employer enterprises remain in operation three years after establishment with survival rates varying across industries and countries. These statistics indicate that a considerable proportion of newly established businesses fail within the first few years of operation. This situation highlights the importance of identifying organizational factors that may contribute to business survival and sustainability.

In the Philippines, one of the important foundation of the economy are the start-ups and other that belongs to micro, small and medium enterprises (MSMEs). According to the Department of Trade and Industry (DTI, 2024), there were 1,236,908 MSMEs out of 1,241,476 registered business establishments, accounting for 99.63% of all business establishments in the country. Out of these, 90.66% are belong to micro enterprises, 8.60% are part small enterprises and 0.37% are medium enterprises. These data shows that the Philippine business sector is mostly small or start-ups.

Despite the economic importance, Philippine start-ups and MSMEs continue to experience challenges related to innovation and business sustainability. The Philippine Institute for Development Studies (PIDS, 2024) reported that only about three out of every ten MSMEs in the Philippines are innovation-active, meaning that only around 30% engage in product, process, organizational, or marketing innovations. This data that shows only few interested to innovation implies that only few have the capacity to response the changing of market condition while maintaining its competitiveness in the market.

At the local level, the Department of Science and Technology (DOST, 2025) reported that MSMEs in Biliran achieved an impressive 97%–98% repayment rate under its Small Enterprise Technology Upgrading Program (SETUP), suggesting the commitment of local entrepreneurs to sustaining and expanding the businesses through technology adoption and innovation. In addition, the Provincial Government of Biliran has intensified its support for entrepreneurship through livelihood summits, technology training, financing assistance, and marketing programs in partnership with agencies such as DTI, DOST, DOLE, and TESDA. These initiatives aim to strengthen the competitiveness and sustainability of emerging enterprises by encouraging innovation and market responsiveness.

Although existing international and Philippine evidence emphasizes the importance of innovation, adaptability and business sustainability, there remains a limited empirical understanding of how business model innovation and market adaptability specifically contribute to the survival performance of start-up businesses in Naval, Biliran.

The study is expected to generate empirical evidence regarding the contribution of business model innovation and market adaptability to the survival performance of start-up businesses. Specifically, the findings through this Excel- based Decision Support Tool may help entrepreneurs in assessing business practices, adaptability and potential in sustaining business operation. The tool may serve as a practical guide for developing more sustainable business strategies.

REVIEW OF RELATED LITERATURES

A Resource-Based View (RBV) is a theory about strategic management which is an important tool in analysing a business competitive advantage. These are companies who continue develop the internal resources potential to increase its competitive advantage in ever changing market condition (Sugiarno, Y. & Novita, D.,2022). This theory explain how businesses can gain competitive advantage through VRIN or the valuable, rare, inimitable and non-substitute resources. For start-ups, innovative business models with strategic resources allow differentiation and value creation despite limited capital or infrastructure.

This Dynamic Capabilities Theory mainly focus on the importance of company's resources and its ability to maximize it to increase its competitive advantage. In the last two decades, this theory widely used especially in relation to complex management theory (Land, A. et.al. 2022). This theory also emphasize the importance of strengthen internal and external ability of the business to response any changes of market condition. Market adaptability metrics such as responsiveness to customer trends, agility in product development and customer orientation reflect how Dynamic Capabilities Theory works in business.

Both Resource-Based View (RBV) and Dynamic Capabilities Theory explain the importance of innovation and adaptability for the business to cope-up any changes of market condition. Additionally, to help businesses understand its status in terms of innovation and adaptability initiatives and in making decisions on it, this study aims to create an Excel-based decision support tool as a Business Model Innovation and Market Adaptability Indicator.

According to Guckenbiehl, P. & Zubielqui, G.C.(2022), start-ups most likely response to adversity through business model innovation whereas, those larger companies prefer business model adaptation to reduce cost while maintain operational efficiencies. Previous researches shown that the fastest innovation response are the start-ups compare to well-establlished businesses during the time of COVID-19 pandemic (Ebersberger and Kuckertz, 2021).Compare to larger businesses, start-ups can response market challenges quickly. This type of business is mostly focus on strategies for growth rather than cost-cutting during the said global crisis (Nguyen et al., 2021). This arguments explained how a rapid growth in business affects its ability to response quickly to pre-crisis which is necessary to response such as considering engaging in business model innovation (Haase and Eberl, 2019). The successful implementation of changes helps businesses to adapt a market trends and compliance to new policies while minimizing disruptions (Sustainability Directory, 2025). Additionally, Kopp, C. M. (2025) stated that a business model is a important tool for a certain business aiming for better profitability. This will help the company to operate efficiently that could attracts customers and investors. A business model for start-up should include the projected cost and sources, target customer, marketing strategies, competitors and projected revenues and expenses. The model should also have project opportunities such as determining possible partnership to a certain established business.

There is a successful business after having a business model that guided the operation in addressing customers' needs with a competitive price with manageable costs that should be updated based on the market conditions (Kopp, C. M., 2025).

The author Christinsen Institute (n.d.) added that the business model has four important elements that helps create value to the business, these are the following: Value Proposition, resources, processes and profit formula and priorities.

The first component of the business model innovation is the value proposition. This focuses in introducing unique products and services that attracts customers and clients. Based on the study of CFI Team (n.d.) value proposition is composed of stated quality of the products or services offered by a business such as how to acquire and deliver the items. Importantly, a value proposition emphasize how attractive a products or services, why the customer choose it compare to competitors and how the products different to others.

First, commonly businesses offers different value propositions of its products and services to customers. Second, in delivering a better value proposition, it requires enough resources. These are people, products, technology, buildings, equipment and other tangible and intangible assets. Third is processes, where it mainly focus on how the business operates effectively. Routinizing this leads the business successful in most operations. Some of these are properly stated and documented and some are called unspoken procedures that a business keep practicing such as budgeting, planning and employee trainings. These are important in maintain the ability to compete in the market. Lastly, Profit Formula/Revenue which creates a formula that cover the costs for the resources and operational processes while establishing margin leading to sustainability. This shows how a business maintain its ability and sustainability to provide an effective cost structure over the years. The combination of the four ways mentioned above make the business model connected as both resources and processes applied, repeat, improve and standardized. Thus, make it difficult to alter over time (Christine Institute, n.d.).

Business Model Innovation focusing in value proposition, revenue model, resources and operational processes help start-ups to survive in the competitive market. It guides start-up businesses how to operate efficiently despite of the existence of stable competitors.

On the other hand, Market Adaptability focuses on the entire market system that includes the capacity to response a market changes, quick operational adjustment and value alignment for sustainability and long term growth of the business (Sustainability Directory, 2025).

DealHub Experts (2025) note that Customer responsiveness measures the ability of the business to quickly response to customers' needs based on the customers' feedback. It can also refer the fastest and accurate response to orders. Better customer responsiveness can gain trust and loyalty as it provide satisfaction to the customers through timely response to inquiries. Businesses should have a system that allows to monitor customer feedbacks, response accordingly and provide appropriate response based on to it. Most businesses use different instrument to monitor customers' satisfaction. This includes survey, interviews, focus group and others to make sure that the company have efficient customer responsiveness. Customer responsiveness is important as it provides a worth it experience to the customers. Being proactive in addressing customers' feedback helps the business to build connection and trust to the customers.

Agile Business Consortium (n.d.) also defines a Business Agility as a competency of the business to provide value services to customers, staff, partners and community in this ever-changing market environment. This shows a balance treatment of business operation and societal responsibility. This collaborative act enables the business continue delivering a quality products and services to stakeholders. Doing and being agile connects business strategies to internal abilities and external value creation.. Vimarlund, V. (2017) implies that a business can be called customer-oriented if it promotes connection to customers by collecting feedbacks, analyse and response based on the customer preferences. The whole system should focused on continuous addressing customer satisfaction as part of the main objective of the business.

A business who is customer –oriented are those who operates in line to the preferences of the customers to provide quality products and services. A brands that focus on the sake of the customers surely gain loyalty and highest customer satisfaction rate. Customers most likely trust a brands that give value to the users. Brands that keep the system as customer-centered most likely can increase customers trust and loyalty. A business who is customer-oriented not merely focus to customer satisfaction alone but rather providing support to employees for its job satisfaction. A customer who are satisfied with the experience of certain products or services most to have better conversation to employees leading th good relationship (IET, 2025).

Market Adaptability, focusing on responsiveness, agility and customer orientations helps a start-up go with the trend and maintain competitiveness despite the emerging economy. This will measure how start-up knows who the target market are and how to align business strategy to the changes of customers' preferences.

METHODOLOGY

This quantitative study utilizes a multiple linear regression and Input-Process-Output (IPO) framework to empirically model the predictive impact of business model innovation and market adaptability on start-up survival (Hair et al., 2022). Conducted in the dynamic

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economic ecosystem of Naval, Biliran, Philippines (City Population, n.d.; PhilAtlas, n.d.), the research employed purposive sampling to secure a cross-sectoral cohort of 50 start-ups, directly surveying business owners and key operational decision-makers who were pre-screened to validate strict start-up classification parameters (Blank, 2013; OECD, 2018; Picken, 2017; Ries, 2011; Tajik et al., 2024). Primary data were harvested via an expert-validated, five-point Likert scale instrument (Joshi et al., 2015) integrating established sub-scales for business model innovation (Clauss, 2017), market adaptability (Narver & Slater, 1990; Zhang, Sarker, & Sarker, 2013), and survival performance (Wiklund & Shepherd, 2003). Processed through SPSS (Awati, 2024), the dataset was subjected to descriptive profiling, Pearson correlation, and multiple regression analysis at a 0.05 significance level to extract unstandardized beta coefficients and model fit metrics, which will ultimately drive the algorithmic architecture of an Excel-based managerial decision support tool (Field, 2024; Montgomery et al., 2021).

RESULTS AND DISCUSSION

The sample architecture is predominantly characterized by primary strategic decision-makers, with enterprise owners (50%) and managerial personnel (14%) constituting the critical majority of the 50 respondents. This concentrated executive representation ensures that the empirical data reflects high-level strategic cognitions regarding value proposition design, revenue modeling, and market agility, aligning with established paradigms that SME resilience is intrinsically linked to the operational acumen of lead entrepreneurs (OECD, 2023). Furthermore, the enterprises exhibit significant cross-sectoral heterogeneity, spanning automotive (10%), food and beverage (10%), professional services (10%), healthcare retail (8%), and diverse commercial services. This sectoral diversity mitigates industry-specific biases and robustly substantiates the universal applicability of business model innovation and market adaptability frameworks, corroborating prevailing macroeconomic observations that entrepreneurial flexibility is a requisite survival mechanism across all competitive industry landscapes (Global Entrepreneurship Monitor, 2024; OECD, 2023).

Temporally and structurally, the participating enterprises perfectly encapsulate the nascent, high-risk developmental phase characteristic of the start-up ecosystem. A definitive 80% of the sample has been operational for three years or less (62% between 1–3 years; 18% under one year), with no firms exceeding six years of continuous operation. This temporal concentration provides an optimal empirical window for evaluating survival mechanisms during the most vulnerable entrepreneurial life cycles, a period where navigating uncertainty and achieving market-product fit are critical for continuity (Global Entrepreneurship Monitor, 2024). Organizationally, these start-ups operate with hyper-lean structural configurations; 82% function as micro-enterprises employing five or fewer personnel, including 12% solopreneurs. While such constrained human capital architectures inherently limit the capacity for large-scale operational overhauls, they simultaneously engender a distinct organizational agility that facilitates rapid, decentralized decision-making in response to market volatility (OECD, 2023).

The financial baseline of the cohort reveals a pronounced variance in initial capitalization, highlighting systemic resource constraints that critically dictate strategic entrepreneurial behavior. Over half of the enterprises (50%) launched with micro-capitalization thresholds under ₱100,000, while a consolidated 32% reported moderate seed funding between ₱100,001 and ₱500,000, and only 16% launched with capital exceeding ₱500,000. This structural capital scarcity validates the theoretical necessity of business model innovation, demonstrating that entrepreneurial survival in resource-depleted environments relies less on capital-intensive infrastructural acquisitions and more on creative value-capture restructuring and asset-light scaling mechanisms. Given that constrained access to finance remains a dominant friction dictating SME technological adoption and competitive resilience (OECD, 2023), this capitalization profile provides a critical framework for assessing how start-ups leverage agile market adaptability as a strategic substitute for robust financial buffers to secure long-term operational viability.

BUSINESS MODEL INNOVATION SUITABLE FOR START-UP FIRMS

Business Model Innovation refers to the ways start-ups improve how they create, deliver and capture value through the value proposition, revenue model and operational processes. Examining these dimensions provides an understanding of how actively the participating businesses adjust the business models to remain relevant and sustainable in a changing environment (OECD, 2021).

Table No. 1 Business Model Innovation Suitable For Start-Up Firms

Business Model Innovation	Mean	Standard Deviation	Interpretation
Value Proposition	4.56	0.49	High
Revenue Model	4.49	0.51	Very High
Operational Processes	4.56	0.53	Very High
Overall	**4.53**	**0.42**	**Very High**

Table 1 indicates that the respondents reported a very high extent of Business Model Innovation with overall mean of 4.53 and standard deviation of 0.42. Among the dimensions, Value Proposition and Operation Processes both obtained means of 4.56, while Revenue Model obtained a mean of 4.49, indicating that respondents generally perceived strong innovation across the components of the business

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models. For alignment with the Statement of the Problem, these findings suggest that the start-ups are actively considering how the offer value to customers, how to generate revenue, and how to organize activities to deliver the products or services. The lower mean for Revenue Model may suggest that sustaining revenue remains more challenging than developing customer value and business activities, which is understandable for the young enterprises who still establishing stable income streams. The OECD (2021) emphasizes that SME innovation may involve changes of products, processes, organizational practices and business models as enterprises respond to changing market and technological conditions. Therefore, the very high level of Business Model Innovation shows an important empirical basis for determining the succeeding analysis whether these innovative practices significantly relate to the survival performance of start-up enterprises in Naval, Biliran.

MARKET ADAPTABILITY OF START-UPS

Market Adaptability reflects the ability of start-ups to recognize changes in the environment and respond through responsiveness, agility, and customer orientation. Assessing these dimensions is important because the ability to adjust to changing market and customer conditions may influence the young businesses' capacity to remain competitive and resilient in the market (OECD, 2023).

Table No. 2
Market Adaptability of Start-Ups

Business Model Innovation	Mean	Standard Deviation	Interpretation
Responsiveness	4.57	0.51	Very High
Agility	4.45	0.48	Very High
Customer Orientation	4.54	0.45	Very High
Overall	**4.52**	**0.40**	**Very High**

Table 2 shows that the respondents perceived the level of Market Adaptability as very high, with overall mean of 4.52 and standard deviation of 0.40. Market Responsiveness obtained a highest mean of 4.57, followed by Customer Orientation at 4.54, while Organizational Agility obtained 4.45, although all three dimensions remained within the very high category. These results suggest that the start-ups are generally capable of recognizing market changes, responding to opportunities, adjusting the activities and maintaining attention to customer needs. In relation to the third research question, the findings indicate that adaptability is not limited to reacting to external changes but also involves the internal ability of the organization to adjust its practices in accordance with market and customer requirements. The OECD (2023) highlights the importance of adaptability, digitalization and organizational capabilities in helping SMEs respond to changing markets and strengthen resilience. Thus, the very high level of Market Adaptability provides empirical support for further examining whether responsiveness, agility and customer orientation are significantly associated with the survival performance of start-up businesses in Naval, Biliran.

THE SURVIVAL PERFORMANCE AMONG START-UPS

Survival Performance represents the extent to which start-ups are able to sustain the business operations, maintain profitability and retain the market presence. Examining these indicators provides a broader assessment of survival because continued operation alone does not necessarily mean that a business is financially and competitively sustainable (OECD, 2023).

Table No. 3
The Survival Performance among Start-Ups

Business Model Innovation	Mean	Standard Deviation	Interpretation
Business Operation	4.53	0.53	Very High
Profitability	4.35	0.66	Very High
Market Share Retention	4.48	0.58	Very High
Overall	**4.45**	**0.52**	**Very High**

Table 3 shows that the respondents reported a very high level of survival performance, obtaining an overall mean of 4.45 and standard deviation of 0.52. Business Operation obtained the highest mean of 4.53, followed by Market Share Retention at 4.48, while Profitability obtained the comparatively lowest mean of 4.35, although all three indicators were still interpreted as very high. The results suggest that most start-ups perceive the business as capable of continuing the operations and maintaining the market presence, but profitability may require greater managerial attention compared with operational continuity and market retention. This distinction is important because remaining in operation does not necessarily mean that a business is achieving strong financial returns and start-ups may continue operating while facing pressures associated with costs, pricing, competition, and limited margins. The OECD (2023) emphasizes that SME resilience involves maintaining viability while managing financial, operational, and market pressures, supporting the use of multiple dimensions when evaluating enterprise survival.

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Therefore, the results provide a comprehensive basis for answering the fourth research question and subsequently examining whether Business Model Innovation and Market Adaptability significantly predict the survival performance of start-up enterprises.

SIGNIFICANT RELATIONSHIP BETWEEN BUSINESS MODEL INNOVATION AND MARKET ADAPTABILITY AND THE SURVIVAL PERFORMANCE OF START-UP BUSINESSES

This section examines whether Business Model Innovation and Market Adaptability significantly predict the Survival Performance of start-up businesses. Regression analysis is used to determine the individual contribution of each predictor and the overall explanatory strength of the model, providing direct evidence for the fifth statement of the problem.

Table No. 4
Regression Analysis per Variable

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-0.4980567	0.55291	-0.900	0.3722	-1.610381	0.614267	-1.610381	0.61426
Business Model Innovation	0.5083368	0.15611	3.256	**0.0020**	0.194271	0.822401	0.194271	0.82240
Market Adaptability	0.5850596	0.16333	3.582	**0.0008**	0.256480	0.913638	0.256480	0.91363

The regression results indicate that business model innovation and market adaptability have significant positive relationships with the survival performance of start-up businesses, this address the fifth statement of the problem. Specifically, business model innovation obtained a positive coefficient of 0.508 with a *p*-value of 0.002 while market adaptability recorded a positive coefficient of 0.585 with a *p*-value of 0.001 that shows that both variables significantly contribute to improved survival performance when considered simultaneously. This suggests that start-ups with continuously improve the value propositions, revenue approaches and operational processes are more capable of sustaining the operations particularly when the business also respond quickly to changes in customer needs and market conditions. The finding is consistent with Breier et al. (2021), who emphasized that business model innovation can help firms develop new ways of creating and delivering value that enables the business to respond more effectively to disruptions and strengthen organizational resilience. Overall, the results imply that the survival of start-up businesses is not only dependent on maintaining existing business practices but also on the ability to innovate the business model and remain adaptable to a changing market conditions.

Table No. 5
Overall Regression Relationship

F-value	Significance Level	P-value	R^2	Adjusted R^2	R-Value
40.397	$p < 0.001$	<0.05	0.632	0.617	0.795

Table 5 presents a statistically significant regression model with an F-value of 40.397 and a reported p-value of less than 0.001 which is below the 0.05 level of significance. The R-value of 0.795 indicates a strong positive relationship between the predictors and survival performance while the R^2 of 0.632 indicates that approximately 63.2% of the variance in start-up survival performance is explained by the predictors in the model. The adjusted R^2 of 0.617 further shows that approximately 61.7% of the variance remains explained after adjusting for the predictors. This suggest that the model has substantial explanatory value. These findings answer the fifth research question by demonstrating that the combination of Business Model Innovation and Market Adaptability significantly predicts the survival performance of start-up enterprises. From a practical perspective, the result suggests that start-ups may strengthen the chances of sustaining business operations, profitability and market share by simultaneously improving the way the business design and operate its business models and respond to changing market conditions.

CONCLUSIONS

Business model innovation and market adaptability are important factors associated with the survival performance of start-up businesses in Naval, Biliran. The findings showed very high levels of business model innovation, market adaptability and survival performance, while regression analysis affirmed that the business model innovation and market adaptability significantly predict the survival performance of start-up businesses. These findings support the theory Resource-Based View of Barney (1991), who believed that a business internal resources and capabilities can contribute in improving performance and competitive advantage. The ability of start-ups to develop the value proposition, revenue model and operational processes may therefore serve as valuable internal capabilities that support the continued survival. The findings also support the study of Dynamic Capabilities Theory of Teece, Pisano, and Shuen (1997), which highlights the ability of the business to maximize resources and adapt the changes in market conditions. The significant contribution of market adaptability demonstrates the importance of responsiveness, agility and customer orientation in helping start-up businesses sustain the operations, profitability and market presence. The study concludes that the business model innovation and market

adaptability significantly predict the survival performance of start-up businesses. This shows how important the internal resources and its ability to maintain better business performance. These findings support the two theories namely: Resource-Based View of Barney (1991) and the Dynamic Capabilities Theory of Teece, Pisano, and Shuen (1997), highlighting the value of developing internal capabilities and adapting it to changing market conditions to improved start-up survival.

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