

Exploring the Reasons for Non-Adoption of Artificial Intelligence in Human Resource Management: A Case Study of a Sri Lankan Apparel Company

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Abstract

Artificial Intelligence (AI) is progressively reshaping Human Resource Management (HRM) practices globally, signaling a significant revolution in the model of practice. However, the use of AI driven HRM processes is quite limited in Sri Lanka's apparel industry. In response to this gap, current study explores the reasons for non-adoption of AI in HRM within a leading apparel company in Sri Lanka. The study is led by the interpretivist paradigm using an inductive reasoning process. The semi-structured and indepth interviews were carried out for data collection with HR professionals and other selected managers of the study apparel company. Findings indicated the number of interrelated factors influencing the non-adoption of AI, including lack of training and awareness, a lack of technological infrastructure, fear of job loss, a lack of commitment from management teams, and insufficient support from the government. Moreover, norms of practices in the industry, the emphasis placed on human involvement, and traditional practices in HRM were viewed as significant barriers. These findings contribute to a non-use of AI driven HRM is an issue of a technological nature, but are significantly impacted by cultural, structural, and behavioral influences on the organization.

Keywords: *AI in HRM, Artificial Intelligence, AI non-adoption, Human Resource Management, Sri Lankan Apparel Industry*

Introduction

Artificial Intelligence (AI) signifies computer-based approach to performing human cognitive activities, which can facilitate companies in performing functions more efficiently rather than conventional technology (Arslan et al., 2022; Ekuma, 2024). Within HRM AI adoption begins in talent management, reward management, learning and development, performance evaluation, career development, and employee well-being (Sanchez et al., 2022). Specifically, talent management is considered as a strategic HR initiative, that contributes to organizational competitiveness and business performance (Karunathilaka, 2020). Consequently, the practice of HRM aligning with talent management allows firms to choose and keep workers of the highest quality, thereby contributing to the firm's sustained performance and value creation. Using AI technology within HR activities can completely transform HR management practices. The current HRM literature suggests that AI is essential for improving efficiency, and effectiveness of different aspect of HR functions such as, identifying, recruiting, screening, and selecting talented people for organizations (Nawaz et al., 2024; Murugesan et al., 2023; Stone et al., 2024; Meshram, 2023).

Sensible AI technologies provide innovative methods for personnel management, improve organizational performance, and create various opportunities for performance evaluation. When discussing the accuracy of AI in HRM, researchers disclosed that AI delivers effective outcomes for HR, ranging from HR acquisition to HR retention, by managing time consumption, minimizing recurring activities of the HR department, and enhancing the performance of HR systems and processes. Further, it leads to the optimization of HR tasks by saving money and other resources while improving employee and customer satisfaction (Sánchez et al., 2022; Nawaz et al., 2024). Moreover, based on the collection and analysis of data, AI chatbots facilitate employee engagement and transform HR practices simplifying decision-making and career advancement. Thus, AI in HRM provides tremendous benefits, such as improved precision, reduced costs and time, and more real-time feedback. Consequently, this results in an HR system that is more powerful and data-driven. Hence, the emphasis ought to be on obtaining the advantages of implementing AI for HR functions.

Research Problem

The garment industry is vital to Sri Lanka's economy due to export and employment creation potential. According to the Ministry of Industries (2021), the apparel sector is reported to be Sri Lanka's largest contributor to gross exports in the last few decades. The industry contributed more than fifty-two percent of the gross export income. The industry was the largest source of foreign exchange income for the country after 1992. The Sri Lanka Export Development Board-EDB (2023) reported the industry earned \$5.05 billion from exports in 2024 and contributed 42.01% of the total export revenue of the country. The industry has an estimated one million people employed directly and indirectly. The industry contributes about seven percent to the gross domestic product. The garment industry is Sri Lanka's largest source of high-value exports.

The industry has incorporated AI into certain areas of operation to increase the efficiency and productivity of the processes (Rathore, 2023), but has not yet done so with HRM functions where AI can be integrated (Nadhiya & Mufassara, 2023). There is competition from other countries to Sri Lanka in the export sector worldwide. To face that competition, most operations are automated because it helps to reduce costs and increase efficiency. Thus, they have started to implement AI-based operations with the aim of cost savings, improved efficiency, and productivity. However, despite these advancements in operations in apparel sector, AI is still not widely used in HR. On the other hand, some South Asian countries also adopt AI-based technology to get competitive advantages (Musaddique, 2024), especially Bangladesh (Sarker et al., 2024). If Sri Lanka does not keep up with the advancements, it will certainly lose its competitive advantage.

To identify the performance gap, conducted a preliminary study within the Sri Lankan apparel industry further revealed: though individual HR staff members repeatedly employ AI tools informally for personal activities, organizational-level adoption of AI for HRM is largely absent. Similarly, such leading companies' AI adoption in HRM has not progressed at the same pace as in operational functions. This elevates a significant consideration regarding the above factors that, hinder AI integration into HRM, particularly within organizations that possess the sufficient resources and strategic orientation to adopt such technologies.

While the Sri Lankan apparel- industry continues to be strategically crucial, the global demand for AI in HRM creates an important gap in research concerning the industry. The lack of empirical studies exploring the benefits of AI driven HRM in the apparel companies of Sri Lanka, especially since most available research is based on Western countries. Existing studies on the barriers to AI adoption are few and are primarily concentrated in developed countries. There have been some studies on the use of AI, but very few researchers have studied, the barriers to AI adoption in HRM in the developing countries. Moreover, there is less evidence from the Sri Lankan apparel industry in this context. Further, existing literature has mainly emphasized AI adoption in HRM rather than non-adoption. Accordingly, HR managers and policymakers are given limited influence to eliminate the barriers to AI adoption in HRM. Accordingly, it is worth examining why a leading apparel company in Sri Lanka has not adopted AI for HRM, despite its recognized benefits and the competitive pressures facing the industry.

Hence, the research question of this study was “what are the reasons for the non-adoption of AI in HRM within a leading apparel company in Sri Lanka?” while the objective was to “explore the reasons for the non-adoption of AI in HRM within a leading apparel company in Sri Lanka”.

Literature Review

Benefits of Integrating AI into HRM

Significant interest has been generated through AI's impact on HRM due to increased efficiencies, better decision-making, and improved handling of employees. Multiple advantages have been documented in the literature as a result of applying AI in the various aspects of HR. Subsequently, current studies emphasize that AI is gradually employed for most of the HRM functions: recruitment, talent identification and acquisition, HR analytics, performance appraisal for enlightening their effectiveness (Nawaz et al., 2024; Stone et al., 2024; Aguinis et al., 2024).

AI recommends promising opportunities for workplace managers, incorporating the evaluation of applicants for a job and retaining employees (Nawaz et al., 2024). AI can assist HR managers in performing tedious and

monotonous tasks, thus improving the quality of HRM through the reduction of biases. The use of AI for more accurate HRM can improve a number of HR functions, including time and cost savings and increased employee satisfaction and performance of the company (Nawaz et al., 2024).

The capacity of Machine Learning (ML) to reduce or eliminate errors can help managers make more learned decisions since better information is available (Sánchez et al., 2022). ML technologies can also predict outcomes and identify the company issues more accurately than human evaluators (Nawaz et al., 2024). The effective systems of this novel technology can also result in time and cost savings since tedious and time consuming activities are eliminated, allowing workplace managers to focus on tasks requiring expertise and knowledge. The survey in 2019, further highlighted that 61% of companies used this technology to improve key AI-transformed HRM functions (Sánchez et al., 2022).

The application of AI involves labor-intensive human resource functions such as hiring employees, selecting the best candidates for a job, and identifying training needs of the employees (Sánchez et al., 2022). Accordingly, a company can use AI for these tasks, resulting in time savings. AI-driven chatbots can also provide real-time experiences and feedback, thus improving human resource functions and employee engagement through the use of real-time data collection and processing for career development and decision-making.

Even though numerous researchers emphasize the advantages of AI in HRM, several issues such as ethics, lack of technological preparedness and individuals' resistance imply that the results of AI integration are not necessarily positive across the board.

Challenges Associated with Adopting AI in HRM

AI needs talented employees to handle and develop the skills required to move forward with technological development (Sánchez et al., 2022). Despite the high cost of implementation, the application of AI can reduce costs in processes. Another issue is the biases created by small and unrepresentative data and the increased vulnerability of the entity, which increases the risk of data security breaches (Malik et al., 2021). The application of AI, in HRM can cause technological unemployment; including job insecurity, burnout, and career uncertainty, and it requires continuous technological support (Sánchez et al., 2022). Techno-stress also arises from the overuse and continuous use of technology (Basnet, (2024).

From previous literature, there are several obstacles to the adoption of tech, including a lack of digital skills and fluency with digital technology, which can make it difficult to identify the benefits of digital technology. Innovation and adoption are also obstructed by managers' resistance to computer-aided decision-making because of the fear of potential job losses (Zoppelletto et al., 2026).

According to Ekuma (2024), the challenges to AI and automation adoption in HRM have not been rigorously investigated. There is a need to concentrate more on the barriers to AI driven HRM. The application of this technology can result in efficiency, cost savings, and improved decision-making in the management of people in an organization. AI assists in redefining HRM tasks (workforce planning, recruitment, selection, hiring, training, and performance management), in order to achieve strategic objectives of the organization. Various studies have illustrated the potential benefits of AI- in managing the workforce and the organizations themselves. However, there is a lack of research and guidelines on the implementation of this technology in Sri Lanka. Furthermore, challenges to adoption, including job insecurity, burnout, turnover, and techno-stress, have not been adequately investigated, although they are important for organizations to understand to fully benefit from AI.

According to the previous researchers, AI integration in HRM is controlled by a number of, organizational, individual, technological and behavioral obstacles. Some of these barriers identified are fear of redundancy, resistance to adoption of new technology, insufficient digital skills, concerns about trust and data security, and insufficient technological frameworks (Arslan et al., 2022; Nankervis et al., 2021; Palos-Sánchez et al., 2022). These constraints are likely to be greater in the context of developing countries where organizations lack the sufficient resources and the capabilities to meet the market demand. Given the barriers outlined, the potential advantages of AI systems for HRM cannot be fully realized unless organizations commit to incorporate AI in HRM.

AI in the Apparel Industry

The textile and apparel sector has been recognized as a cornerstone of the world economy. It mainly contributes to the creation of jobs and economical development, particularly in developing countries. Further, it supports improving the standard of living and providing affordable clothing for families with low incomes (Eppinger, 2022). AI has been seen as a revolutionary force in daily life, taking over tasks with high accuracy. This has been seen in the textile sector, just like other sectors. Textile materials are mainly appreciated due to their fineness, flexibility, and usability. This has been seen as the basis for all textiles and clothes. Halepoto et al. (2022) asserted that textiles are the second fundamental necessity of individuals subsequent to food. One motivation to study textiles is that they are a part of everyday life.

The use of AI technology has grown across many areas of business, but the AI driven HRM in labor-intensive sectors, such as apparel manufacturing, has not grown in the same way. Most research has included the operational advantages of AI, but few studies mention the challenges of AI in HRM, specifically in developing countries. Therefore, research on the Sri Lankan apparel industry is needed, particularly to explore the reasons why AI has not been adopted in the HRM.

Theoretical Foundation

The Technology Acceptance Model (TAM) and Diffusion of Innovation (DOI) are the two theories used in this research paper to understand the non-adoption of AI in HRM. At the first stage, TAM, describes the ease of use and the perceived value of a system as the main reasons why people adopt technology (Davis, 1989). When it comes to AI in HRM, employees and managers may be reluctant to adopt AI technologies because of concerns regarding low AI in HRM benefits, low level of AI in HRM awareness among employees, low levels of digital literacy among employees, and high levels of anxiety regarding AI driven HRM.

DOI describes the adoption of innovations in organizations and the adoption barriers of innovations in organizations, which relates to the advantages, the compatibility, and the complexity of the innovations (Rogers, 2003). The barriers from prior studies like traditional HR practices, incompatible infrastructure, unfavorable organizational culture, and resistance to change reduce the potential advantages of AI in HRM. Together, the two theories, TAM and DOI, describe the technological, organizational, and behavioral barriers of the non-use of AI in HRM.

Methodology

The research methodology is supported by the research onion model (Saunders et al., 2016). Social constructivism was used as the guiding framework to explore the reasoning behind the non-adoption of AI in HRM at a leading garment company, therefore, this qualitative study was conducted as an exploratory research. Accordingly, interpretivist research philosophy was employed by the study, which highlights that reality is not independent of the individuals and is subjective; truths about AI adoption depend on participants' knowledge, thoughts, ideas, and opinions. Further, the research approach is inductive, involving collecting data to explore a phenomenon and then formulating conclusions or theories based on the phenomenon explored (Goddard & Melville, 2004). In terms of qualitative research design, this study used a single case study using a leading apparel company in Sri Lanka, which can be used to explain, characterize, or investigate events or phenomena in the normal situations in which they occur, claims Yin (2009).

Exploratory research is undertaken for the first time for the research and analysis of the uncharted area of study of why leading apparel companies have not adopted AI in HRM. Moreover, in this study, the onion model was applied with a cross-sectional time frame. This study was accomplished with a single apparel company, corresponding to the 22 branches of the company functioning in the country. The study sample comprised HR personnel with more than two years of experience pertaining to the organisation's HR practices and the use of technology which was further refined with the use of the purposive sampling method.

Data collection continued to the point of data saturation, when incoming interviews no longer offered substantially new findings. Diversity was increased in the HR sample by including nine participants from different HR positions and multiple locations (Table 1 presents the sample profile). Each interview was of 30-40 minutes and was

conducted using an interview guide comprising open-ended questions which was developed based on the research objective and insights from previous literature on AI adoption and HRM. In line with the research objective, the researcher prepared eight questions. The first four questions were termed supportive questions aimed at ascertaining and clarifying some of the current AI usage, beliefs surrounding AI, familiarity with AI tools, and the anticipated benefits of AI in resolving HR-related concerns in their department. The remaining four questions aimed at addressing barriers surrounding the non-use of AI to perform HR-related functions.

The interview guide was assessed based on the pilot test before starting the data collection process to ensure the clarity and relevance of the questions. The four standards of trustworthiness articulated as: (1) credibility, (2) dependability, (3) transferability, and (4) confirmability (Lincoln & Guba, 1985) were utilized to advance the quality of the research. In the context of research ethics, we articulated issues of informed consent with each of the participants, as we assured voluntary participation, and built in data protection and confidentiality, and data secure storage.

Table 1: Background of Participants

Participant No	Gender	Years of Experience	Designation	Location
001	M	4	Staff Officer	Niwithigala
002	F	3	Officer	Katunayake
003	F	4	Executive	Minuwangoda
004	F	9	Senior Executive	Niwithigala
005	F	2.5	Junior Executive	Polonnaruwa
006	F	2	Officer	Polgahawela
007	F	3	Officer	Katunayake
008	M	2	Junior Executive	Minuwangoda
009	F	4	Executive	Polonnaruwa

Source: Research Data, 2026

Note: M-Male, F-Female

Data Analysis and Discussion

Thematic analysis was conducted to aid in the identification and interpretation of patterns and themes in the qualitative data through the use of a methodical approach. (refer to Table 02 and Figure 01): data familiarization, data coding, categorizing, theme development, and reviewing to achieve the research objectives (Clarke & Braun, 2016). The following section elaborates on each of the themes explained in an exhaustive manner, depicting an understanding of the study context. Accordingly, eight main themes are identified: (1) Perceived impracticality and limited value of AI in HR functions, (2) Human oversight and reliability considerations, (3) Fear of trust, ethics, data security and job loss, (4) Insufficient policy and infrastructure support for AI integration, (5) Capability gaps and financial risk perceptions limiting AI adoption, (6) Cautious and reactive competitive orientation in AI adoption, (7) Skill mismatching and low digital literacy and (8) Industry norm and low technological adoption.

Table 2: Reasons for Non-adoption of AI in HRM

Codes	Categories	Themes
○ Practical limitations of AI for HR functions ○ Task complexity due to multiple garment parts and frequent changes ○ Selective AI application in HR functions ○ AI cannot fully replace HR functions ○ Perception that AI adoption is not feasible	Perceived Practical & Functional Limitations	(1) Perceived Impracticality and Limited Value of AI in HR Functions

Codes	Categories	Themes
○ Perceived negative impact on efficiency/ effectiveness ○ Risk of missing potential candidates with AI screening ○ AI benefits the company but may affect employees ○ Labor reduction ○ Not a requirement of AI ○ Reliance on existing systems ○ Smooth existing HR process ○ Practical limitations of AI for HR functions	Negative Perceptions and Fears Perceived Sufficiency of Present Systems	
○ AI generate based on existing data ○ Cannot think as own ○ Mislead results ○ Concern about AI's dependence on historical data ○ Fear of inaccurate or unreliable AI decisions ○ Cannot fully depend on AI ○ Strong "people-first" culture ○ Need for human involvement ○ AI can partially improve efficiency but not completely replace human	Reliability and Data Concerns Human Judgment and Control	(2) Human Oversight and Reliability Considerations
○ Fear of legal consequences due to privacy violations ○ Fear about loss of data confidentiality ○ Responsibility for data confidentiality ○ Lack of trust and data security of AI ○ Trust and transparency issues ○ Fear of ethical concerns ○ Fear of job loss as barrier to AI adoption	Data confidentiality and legal worries Fear of job loss	(3) Fear of Trust, Ethics, Data Security and job loss
○ Reduce state policy barriers ○ High tariffs and taxes as barriers to AI adoption ○ Need for supportive government policies ○ Dependence on government support for AI adoption ○ Need for affordable and reliable connectivity ○ Require stable connection ○ Connection Issues ○ Need for improved connectivity and data storage	Government and Policy Support Poor Technological Infrastructure	(4) Insufficient Policy and Infrastructure Support for AI Integration
○ Lack of awareness because of informal AI usage ○ Lack of training and knowledge about AI ○ Uncertainty about return on investment in AI ○ Cost barrier ○ High investment concern ○ Lack of pilot testing for AI	Lack of Training and Awareness Cost and return on investment concerns	(5) Capability Gaps and Financial Risk Perceptions Limiting AI Adoption

Codes	Categories	Themes
Management conducts cost-benefit evaluations before adopting technology		
- Competitor-driven evaluation - Officers' cautious, evaluative approach to AI adoption - Management decides based on the best method, not competitors - Reactive adoption based on competitor success - Do investigations to make decision	Reactive and Competitor-Dependent Decision-Making	(6) Cautious and Reactive Competitive Orientation in AI Adoption
- Lack of competitive pressure to adopt AI - Unawareness of AI adoption in peers	Lack of Competitive Awareness and Pressure	
- AI adoption in HR affects all employees, not just HR team - Resistance due to lack of awareness and skill mismatch - Skill mismatching and less technology knowledge - Preference for traditional methods - Employee resistance due to fear of loss of job - Lack of technical skills as a major barrier	Skill mismatching and low digital literacy	(7) Skill mismatching and low digital literacy
- Lack of use of AI in Sri Lanka - Labor-intensive - Human interventions - Low AI adoption in the apparel industry	Industry Norm and Low Technological Adoption	(8) Industry Norm and Low Technological Adoption

Source: Research Data, 2026

Theme 01: Perceived Impracticality and Limited Value Of AI in HR Functions

The first theme was developed under three categories: Perceived Practical & Functional Limitations, Negative Perceptions and Fears, and Perceived Sufficiency of Current Systems. Most of participants highlighted that this can be a major reason to not adopt AI for their HR functions.

Perceived practical & functional limitations

The findings show that many participants see practical difficulties in adopting AI within HR. There is also a common perception that AI adoption is not feasible in the current situation of the organization. Individuals believe that adapting AI is a major challenge for existing systems and managing it.

"AI cannot use every function like training and development."

"So, cannot fully use AI tools for HR because everything cannot be done using AI as examples; we cannot handle employee grievances, machine operators' training, and discipline management using AI."

"Most of our operations depend on people's engagement. "So, there are practical application issues in AI for HR."

Negative perceptions and fears

Specifically, some of the participants believe that AI could reduce efficiency or make their tasks complicated, which shows a negative attitude towards AI. One of Participants highlighted that,

“Their understanding issues, less knowledge makes them uncomfortable. So, it can be to reduce our employees’ performances. It will affect our company's efficiency and effectiveness.”

Perceived sufficiency of current systems

The findings show that many employees believe the current HR systems work well, so they don’t see the need for AI and they are comfortable with the existing systems and find them effective for daily HR work. Several respondents also stated that there is no requirement for AI because their HR processes are already running smoothly. This shows that employees are satisfied with the current methods and do not feel that AI would add much value. One of participants stated that,

“I think our department workflow is going smoothly without AI. So, we don’t want to use AI for HR functions because we normally do our tasks without using AI.”

Theme 02: Human Oversight and Reliability Considerations

This theme highlighted that they could not accept the reliability of AI-generated data, and they believe that company nature also influences the decision not to adopt AI because of its labor-intensive industry.

Reliability and data concerns

Participants have doubt about the reliability of AI in HRM, particularly because it relies on existing or historical data. While AI was seen as useful, respondents emphasized that it should not completely replace human decision-making, as it cannot think independently or accurately predict outcomes without sufficient data. As one participant pointed out,

“Actually, in my opinion, we should engage AI for HRM, but we should not be stuck with AI for the whole thing because AI can generate things using existing data; the generated results depend on existing data because AI cannot predict without data.”

This dependence raised fears of misleading results and inaccurate or unreliable decisions, particularly in sensitive HR functions. As a result, limited trust in AI's reliability led to resistance against its full adoption in HRM.

Human judgment and control

The results from participants indicate that the organization's nature and the company's culture do not influence AI adoption. The participants reflected that the organization is labor-intensive, meaning that many activities in the apparel industry involve a human touch instead of an automated system, which leads the employees and managers to feel that AI may not fit well with the current way of working.

“Our company is mainly based on labor-intensive, most of operations are done by employees. So, I think AI cannot use for everything, because there should be a human touch. So, it can be a reason.”

Also, the company always highly depends on people and gives value to people, so they always think about people. One of participants stated that,

“In our company, we always believe in the human connection. HR is about people, not machines. I don’t think a computer can understand an employee’s emotions or family issues. In our culture, HR decisions are based on relationships and understanding. A system can’t see those small but important things about a person.”

Theme 03: Fear of Trust, Ethics, Data Security and Job Loss

This theme captures employees’ fear and lack of trust toward AI adoption in HR, arising from ethical concerns, data security risks, and the perceived threat of job loss.

Data confidentiality and legal worries

The category emphasizes deep concerns regarding data privacy and compliance. The participant stated that employees have fears about sensitive HR data being misused or leaked by AI systems. Also, they don’t trust AI due to data leaks and hacking. This is demonstrated below using the views of one participant.

“So, ethical concerns act as a barrier to adopting AI tools because we don’t have trust in AI tools regarding data security and privacy. So sometimes if we use AI for HR functions, it can lose our confidential data and can go to a third party.”

Additionally, uncertainty regarding legal accountability and data ownership contributes to this uncertainty, which makes the organization very cautious about implementing AI on a large scale.

“As an HR team, we handle employees' confidential data, like their personal information. So, we have a responsibility to keep those things confidential. So sometimes if we use AI for HR functions, it can lose our confidential data and can go to a third party. Because of that, we want to face the legal concerns of employees about the leak of their personal information.”

Fear of job loss

This is a major barrier when adopting AI for HR. Most employees are resistant due to fear of losing their jobs.

“Also, employees think AI will replace their jobs, so they can lose their jobs.”

“Fear of job loss or displacement, fear of losing human touch, or distrust in automated systems play as barriers to adoption.”

Accordingly, fears of job loss may fuel resistance to adopting AI introduced by Arslan et al. (2022). From the resistance-to-change standpoint, employees may view technology changes as threats to their positions.

Theme 04: Insufficient Policy and Infrastructure Support for AI Integration

This theme shows how limited government policy support and inadequate technological infrastructure act as barriers to AI adaptation in HR functions.

Government and policy support

The results reveal that less government involvement and policy support have limited the organization's capacity to use AI. Participants noted the need for tax relief, reduced tariffs, and supportive government policy to obtain access to AI technologies.

“So, we expect tax relief from the government for AI-related products that motivate us to use more AI on HR”

“If the government reduces those barriers and if it releases taxes related to its products and services, it will be helpful for this and every company to think about AI for their organizations.”

Poor technological infrastructure

The researchers identified that the poor connections and inadequate data storage facilities are barriers. Participants mainly highlighted poor technological infrastructure issues. They request affordable and reliable connections to support AI.

“But when we handle big data with AI tools, I think we should have more storage. So, we want to access Google Drive and Cloud.”

“Also, we need good connections. We faced difficulties without good connection facilities. Sometimes it gets slow so that we cannot do our process smoothly. So, the government should focus more on ensuring good connections at affordable prices.”

Theme 05: Capability Gaps and Financial Risk Perceptions Limiting AI Adoption

Researchers could identify that due to limited employee skill and training, and a lack of clarity on AI resulting in financial returns, there is uncertainty regarding using AI in Human Resource (HR) functions and therefore hesitation to adopt AI in HR functions under this theme based on participants' ideas.

Lack of training and awareness

The research found that limited technical knowledge and a lack of ongoing training are barriers to AI readiness among employees. Participants highlighted training as necessary to develop confidence in their skills and reduce resistance to the changes.

One of participants highlighted that,

“Before implementing AI, it is very helpful if the company gives training to everyone because some of us are not aware of new technologies. Most of them lack Knowledge.”

Cost and return on investment (ROI) concerns

Researchers could find that cost and ROI concerns of AI are inhibiting factors. The participant stated that their top management has doubts whether the expense of an AI infrastructure is worth the investment. Management is reluctant to allocate resources because of a lack of pilot testing, uncertain ROI, and fears of losing money. Most of them mentioned that cost is not a barrier because they invest in new technologies, but return on investment can be a barrier. It is shown from the following participants' status.

"Cost is not a major barrier because our company highly focuses on new technologies, and if the perceived benefits outweigh the cost, our management will definitely introduce new technologies."

"As I mentioned earlier, before adopting new technology, they conduct a preliminary investigation to determine whether it is cost-effective, efficient, and can achieve the expected performance. If it becomes waste, it can be a loss to the company."

While large organizations may be able to absorb and take on an AI infrastructure expense, the decision-making process is usually dominated by financial caution for many organizations. But to identify whether the investment is a waste or not, they didn't do investigations. So, we can see that management doesn't consider AI tools.

"We have new technologies, and our top management invests too much in new capabilities. But still the company didn't do any preliminary investigation or pilot test."

Theme 06: Cautious and Reactive Competitive Orientation in AI Adoption

This theme shows that cautious, competitor-dependent decision-making and low competitive pressure delay AI adoption in HR.

Reactive and competitor-dependent decision-making

The researcher could identify that their management makes decisions based on competitors' actions. It shows they have a competitor-dependent mindset, and this approach highlights the organization's risk aversion. This may hinder long-term competitiveness.

"If competitors are getting benefits from using AI, our management also will see about that."

"If any competitor uses AI for HRM functions, our management will also consider and conduct a preliminary investigation to determine if it is cost-effective, can get expected results, or not."

Also, participants mentioned that management follows a structured and analytical process when making decisions. They conduct PESTEL analyses to assess the risks.

"When we implement new things for the company, like new technology, the company does a PESTEL analysis to understand whether that implementation can be implemented or not, because I think AI implementation is getting big investment."

However, one of the participants noted that their management does not blindly follow their competitors' actions; instead, they conduct a preliminary investigation and take the best course of action.

"If competitors use it, our management will not be forced to implement it because they see what is the best method and they will implement the best method."

But most of them highlight that their management makes decisions based on competitors. It highlights reactive and competitor-dependent decision-making and its impact on delaying innovations.

Lack of competitive awareness and pressure

This category demonstrates the organization's lack of understanding of competitors' actions and the lack of market-pressure to use AI. Participants stated that they did not have much of an idea of how their peers or competing firms were implementing AI in HRM, and they did not see much evidence of competitive benchmarking or imitation.

"But I think in Sri Lanka many apparel companies do not use AI for HR functions. So, we don't have a competition on them to use AI for HR functions. Because of that, we don't have any pressure from competitors to use those AI tools for our department."

"You mentioned that one of the companies uses AI for HR functions. But still, we are not aware of this."

Theme 07: Skill Mismatching and Low Digital Literacy

This theme addresses the current technical skills of the workers compared to the skills that will be needed to perform the jobs with the assistance of AI technology. Many employees mentioned that they don't have enough technical skills to work with advanced technologies.

"Skills mismatch can be a major reason because when we adopt AI for HR functions, our lower-level employees, like machine operators and helpers, should also engage with that."

"When the HR team uses AI for their functions, that employee also should deal with that AI."

This disconnect leads to resistance and reluctance to consider or work with AI tools, as many staff generally do not feel ready or feel threatened by automation. As well as most of the participants who highlighted that, due to fear about AI, they prefer traditional methods because they think AI will increase their workload.

"Lack of awareness and skill mismatching directly create resistance. Because employees are afraid of how to use AI tools and think it will increase their workload."

"Specifically, most employees, top-level as well as middle & lower-level employees, preferred the traditional way of doing their tasks." The results of Palos-Sánchez et al. (2022) support the finding that digital literacy poses a significant barrier to AI adoption.

Theme 08: Industry Norms and Low Technological Adoption

These patterns demonstrate that the apparel sector in Sri Lanka remains largely traditional and labor-intensive, heavily reliant on manual-labor and human intervention. The low levels of AI adoption in the apparel sector mean many firms are working in similar patterns and are reliant on traditional production and operational management methods. The slow pace of technological advancement within the industry, provides little pressure or motivation for firms to adopt solutions involving AI technologies.

"As an apparel industry, industry norms also influence getting decisions to implement AI or not."

"I think in Sri Lanka, most of the apparel companies do not use AI for their HRM functions, including us."

In the apparel industry, the nature of work is highly labor-intensive. Employees are accustomed to people-focused tasks and believe that there should always be a human touch when working with others. This mindset has become a norm within the apparel industry, shaping resistant attitudes toward technology and AI adoption.

"Mainly as an apparel company, we engage with people, not machines."

"Definitely, there should be a human touch to control and make decisions about them."

The study identified eight themes as barriers to adopting AI for HRM. Focusing on the previous studies, there are several studies in the existing literature that study the reasons for non-adoption of AI in HRM (Arslan et al., 2021). The study has added to the existing literature by identifying some unique findings under five major themes, which are exhibited in the figure 1.

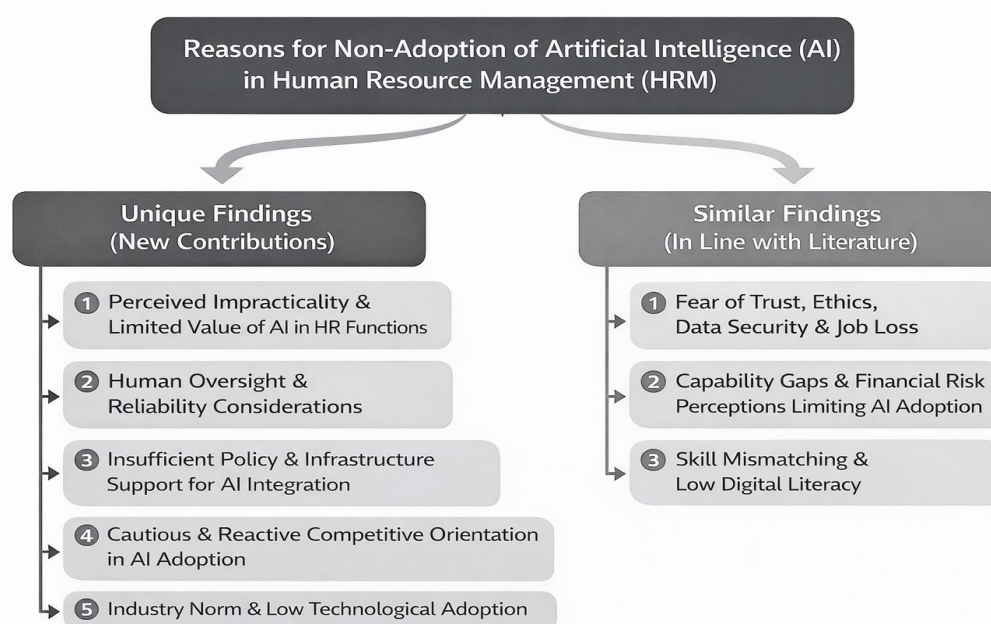
Furthermore, there are some special factors related to the Sri Lankan apparel industry.

In reference to figure 1, comparing three identical findings with the current literature, the majority of researchers in this case outline the barriers as lack of trust, ethics, and security of data. Data and legal issues and the effect of data confidentiality concern the non-adoption of AI. Gryncewicz et al. (2023) asserted that despite a few studies outlining the possible risks of AI in recruitment, such studies tend not to explore the ethical issues surrounding the use of AI in recruitment. For instance, concerns such as the right to privacy, data protection, and the use of AI to make, for people's lives, important decisions. Moreover, there is anxiety among workers about their displacement by AI, and that fear is evident in this study and the existing literature. This is also documented by Arslan et al. (2021). The impact of AI on HRM indicates various kinds of job losses, role changes, new/different skills, and shifts in the ubiquitous practice of talent management. The absence of awareness, as documented in previous literature, is also a finding of this research and is recognized as a lack of skills, and low digital literacy, testifying to the findings of Palos- Sánchez et al. (2022). Capability gaps and digital literacy pertain to the same aspect of employees' engagement with AI technologies. Indications of insufficient skills, knowledge, and technological awareness are critical barriers to the adoption of AI in HRM functions. As noted in the literature, most employees remain reluctant to embrace the use of AI in HRM.

It is evident that the majority of HR experts do not possess the required skills to adapt to the challenges posed by the integration of AI in HR processes, and this may explain most of the opposition (Nankervis et al., 2021). Another of the researcher's findings was the impact of capability gaps and perceptions of financial risks that were constraining the adoption of AI. Concerns regarding the costs and the expected return on investment are the primary barriers that postpone the decision to implement AI. Huang et al. (2023) recommend that the initial step in this regard is to evaluate the pros and cons of introducing customized strategies in HRM. Furthermore, valued knowledge transition(s) is (are) from the normal practices of HRM to more customized practices(s) of HRM, which are, in part or in whole, more customized HRM, which is not possible without substantial investment(s) in HR tech and AI, notwithstanding the increased administrative expenses.

In this study, AI in HRM-related literature is limited, and it's proven in the literature review. However, existing literature findings are related to the benefits of using AI and are limited to challenges and barriers. Hence, researchers suggest other findings are newly contributing to the literature. Insufficient policy and infrastructure support for AI integration is related to developing countries like Sri Lanka because the government does not support the improvement of new technologies like AI. They don't invest in those things and they impose high taxes on those digital devices to get revenue. As well as poor technological infrastructure, a barrier for the Sri Lankan context because the country doesn't have a fair connection range and its very high prices. When companies want to purchase those connections, they limit those connections to reduce cost. So, those two are major barriers to not adopting AI. Cautious and reactive competitive orientation in AI adoption is a barrier to adopting AI for HRM in Sri Lankan context. In that, the lack of competitive awareness and pressure is also unique to the Sri Lankan context because most companies still do not use AI for HRM. It also gives a negative perception and demotivates the use of AI. Most employees see that AI is not practical for the apparel industry's HR because it mainly deals with people. Some HR functions cannot do with AI, like training & development, grievance handling, likewise. So, the perceived impracticality and limited value of AI in the apparel HR context is also a major barrier. Also, employees believe that the current system performs well and does not require advanced features. Thus, they adopted the same routing and resistance to change and they are satisfied with the current Systems. Accordingly, figure 1 presents the main barriers influencing the lack of AI driven HRM in the study's organisation. The framework integrates two major findings: unique and similar findings with regard to the seven themes described above. The new contribution of the study includes unique findings, while the similar findings align with the existing literature.

Figure 1: Reasons for Non-Adoption of AI in HRM



Source: Research Data, 2026

Conclusion and Implications

The study identified the reasons for non-adoption of AI in HRM within a leading apparel company in Sri Lanka. Key new findings are included perceived impracticality and limited value of AI in HR functions, human oversight and reliability considerations, insufficient policy and infrastructure support for AI integration, cautious and reactive competitive orientation in AI adoption and industry norms and low technological adoption.

The findings build on existing theories such as the TAM and DOI by demonstrating how influences from organizational culture, industry norms, job insecurity, and the lack of government and organizational support lead to decisions against adoption. It also emphasizes that resistance to AI adoption may be influenced not only by the technology's readiness but also by behavioral, strategic, and contextual factors typical of labor-intensive workplaces. Therefore, the study is innovative from a theoretical standpoint, as it uses the idea of organizational reluctance along with contextual and socio-cultural factors to explain decisions unrelated to AI.

Further, this study contributes important practical implications for both organizational leaders and policymakers in facilitating effective AI implementation in HRM. As per the outcome of the paper, the fundamental barriers such as training, fear of job displacement, inadequate infrastructure, and commitment from management can support more strategic interventions to support AI readiness. Management can use these insights to implement relevant training programs, improve the technology base and create the conditions for a more innovative culture. Additionally, HR leaders can create additional change management actions to minimize employee resistance and coordinate with organizational vision regarding the AI implementation. From a broader perspective, the findings bring forth implications for supportive policies by the government and collaborations at a wider industry level to facilitate AI use and adoption in Sri Lanka's apparel industry. Addressing these practical areas may support apparel companies and other organizations in moving from traditional HR practices to a more data-informed, efficient, and future-facing HRM-based approach to support AI.

Limitations and Future Research Directions

This research offers important understanding of the non-implementation of AI in HRM in one of the top apparel companies in Sri Lanka. However, some constraints should be considered. The research does not broaden the applicability of the results to the whole apparel industry because it looks into one apparel company. Moreover, the study explores barriers to AI adoption without comparing them to organizations that have successfully implemented AI, thereby excluding potential best practices and positive adoption models. Hence, future researchers are encouraged to do comparative or industry-wide research to identify the key factors in the context because there is a few research in this context Also, the researcher encourages doing research to identify the key factors to mitigate those barriers preventing AI adoption. It will help policymakers and industry to restructure the organizations and policies to encourage new technologies.

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