

PERSPECTIVES OF EMPLOYEES IN THE MEDIUM-SCALE APPAREL INDUSTRY ON BEST PRACTICES INSTITUTED TO OVERCOME SLOW PERFORMANCE WITHIN THE ECONOMIC CRISIS: A SPECIAL REFERENCE TO ABC COMPANY

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Abstract

Sri Lanka's apparel industry is one of the strongest performers in Sri Lanka's economy, generating significant foreign exchange earnings and creating employment opportunities. The ongoing economic crisis in the country has significantly impacted the industry, with increased production costs, restricted foreign exchange availability, and low external demand. This study examines workers' perceptions of best practices implemented to improve organisational performance during an economic recession and the challenges employers faced in implementing them. The mixed-method cross-sectional study consisted of combining a structured questionnaire survey of 164 workers with qualitative interviews of nine senior managers. Descriptive statistics and thematic meaning of qualitative data were performed using SPSS. Empirical evidence suggests that staff tend to have a positive attitude towards process improvement best practices, technology incorporation, and improvements in working conditions; however, they are limited by economic uncertainty, weak governance, and constrained resources. This study contributes to the body of crisis management research by examining the relationship between labour attitude and organisational resilience strategies in the context of emerging economies. Recommendations include improved communication, cost-cutting strategies, and policy intervention as a vehicle for realising sustainable performance during economic crises.

Keywords: Best practices, economic crisis, employee perspectives, medium-scale apparel industry, Sri Lanka

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Proceedings of the 16th International Conference on Business and Information - ICBI 2025 © 2025 by The Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka is licensed under CC BY-SA 4.0.

DOI:

Introduction

Background of the study

The medium-scale apparel industry in Sri Lanka is a significant pillar of the nation's economy, contributing notably to employment and export revenue. Over 500 employees per firm are employed in this industry, which accounts for a significant portion of Sri Lanka's apparel exports. According to the Sri Lanka Export Development Board, in 2022, the country's clothing industry generated nearly US\$5.4 billion in earnings from exports, with the medium-scale sector contributing nearly US\$4.3 billion. The sector also remains a sizable source of employment, particularly for women, given that over 60% of employees in the industry are female. It is estimated that directly, there are around 300,000 workers employed in the apparel industry, and a further 600,000 workers are indirectly benefitted by rural development and economic growth.

The medium-scale garment industry has thrived due to several factors. Government investment promotion programs and tax incentives have served to create a favourable business climate. Secondly, Sri Lanka has a skilled and comparatively low-cost labour force, as well as a strategic location that facilitates access to large international markets. Additionally, the industry has had preferential access to international markets under free trade agreements. The majority of companies in the industry have also adopted best practices, including sustainability programs, technology investments, product diversification, and design and production innovations. These strategies have enabled the industry to remain competitive in the international market (Wijekoon et al., 2022).

The economic crisis affecting Sri Lanka has, however, had a harsh impact on the apparel industry. The most severe crisis since the country gained its independence has resulted from a combination of rising foreign debt, incompetent policy decisions, and external threats such as the COVID-19 pandemic and the Easter bombings in 2019. These events have had a huge effect on economic stability and foreign exchange reserves (Raiser, 2023). Therefore, the apparel sector has faced significant challenges, including shortages of raw materials, increased production costs, declining global demand, currency devaluation, and reduced earnings from exports. Clothing exports declined by 15.2% in 2022 compared to the previous year. The majority of small and medium-sized garment factories had to reduce production, cut wages, or shut down altogether (Apparel Resources News, 2023).

The Free Trade Zone Manufacturers' Association stated that nearly 50% of small and medium-sized garment factories will shut down by the end of 2023 due to declining revenues and rising costs. Fashion investors have also been noted to incur a 25% decline in income, compelling some companies to adjust their base or undertake severe measures, such as retrenchment and shorter working hours. The financial crisis has made it all the more difficult for Sri Lanka's garment exporters to stand out overseas, as price competition remains the primary driver of global trade (Sri Lanka Mirror).

In this context of adversity, industry players have urged medium-scale garment firms to adopt best practices that ensure efficiency, competitiveness, and a sustainable long-term future. Best practices, in this context, refer to methods that have been rigorously tested to enhance business performance. These include ethical labour, innovation in technology, green initiatives, and effective supply chain management. Although these practices have the potential to enhance performance, most medium-scale fashion enterprises in Sri Lanka are unable to effectively apply them due to limited financial resources. This research aims to investigate employees' views on the application of best practices in performance enhancement during economic recessions, as well as employers' challenges in implementing them.

Research objectives

The primary objective of this research is to investigate the perspectives of medium-scale apparel employees on the role of best practices in enhancing business performance during economic downturns. Specifically, the study aims to:

RO1: Identify the economic and governance challenges that medium-scale apparel industry employees face during the economic crisis.

RO2: Investigate the difficulties that employers encounter when introducing best practices to employees.

RO3: Analyse the economic and governance best practices that medium-scale apparel industry employees have adopted to enhance performance.

Research questions

RQ1: What are the economic and governance challenges that medium-scale apparel industry employees face during the economic crisis?

RQ2: What challenges do employers encounter when introducing best practices to employees?

RQ3: What economic and governance best practices have medium-scale apparel industry employees adopted to improve performance?

Literature Review

Theoretical framework

The study draws on two converging theoretical frameworks: Crisis Management Theory and Organisational Resilience Theory. Organisational Resilience Theory posits that an organisation's capacity to bounce back from shocks, weather stress, and continue to operate under pressure is a result of its internal organisation, leadership, and workers' motivation (Lengnick-Hall et al., 2011). In the economic crisis situation in Sri Lanka, apparel companies' capacity to maintain operating performance and stimulate workers is a key factor in these forces of resilience.

Crisis Management Theory, as conceptualised by Mitroff and Anagnos (2001), offers a framework for examining how organisations are prepared for, respond to, and recover from crises through proactive and reactive approaches. With the theoretical foundation in place, the research will examine how best practices, such as technological advancements, open communication, and employee welfare, are utilised as instruments of crisis preparedness and recovery. Collectively, these theories shed light on the best practice notion that employees are the linchpin of sustaining performance in uncertain situations. This theoretical premise is based on the conceptual foundation that connects organisational strategy and individual perception within an economic dislocation context.

Empirical review

Sri Lanka's apparel industry is one of the country's most significant sectors, generating high foreign exchange earnings and contributing to employment growth. However, the industry faces significant challenges, particularly in terms of sustainability. Fashion industry sustainability is not only about maintaining economic growth, but also about addressing environmental and social challenges, which have become more apparent during economic crises, such as the COVID-19 pandemic and the ongoing economic downturn. This review integrates pathfinding research on sustainability practices in Sri Lanka's apparel industry, their impacts on organisational performance through crises, and their ability to trigger sustainable growth.

Weerasinghe et al. (2023) highlighted a study aimed at establishing the impact of sustainability practices on the organisational performance of Sri Lankan apparel firms during the COVID-19 pandemic and economic crisis era. Economic resilience, social fairness, and acting ethically were the most imperative areas of sustainability, which had a significant impact on enhancing organisational performance, according to the study. Economic resilience encompassed measures such as resource management, market diversification, and technological investments, all of which enabled the firms to remain in business despite the financial strain caused by the pandemic. Social equity and best practices, such as employee training, occupational health and safety, and stakeholder engagement, also helped keep the show on the road. Contrary to expectations, corporate governance and environmental performance did not play a positive role during crisis periods, as firms were more concerned with short-term survival than with long-term sustainability practices. These findings reflect the intricacy of sustainability practices during economic crisis periods, in that while some practices have immediate impacts on short-term performance, others require a conducive economic environment to function effectively.

Continuing the analysis of green technology adoption, Pathirana and Yarime (2017) investigated the challenges faced by small and Medium-sized Enterprises (SMEs) in the Sri Lankan garment industry in adopting energy-efficient technologies (EETs). Based on their study, they found that the biggest obstacles to the mass adoption of energy-efficient measures in the industry were financial and information-related constraints. The profitable SMEs faced rising utility bills and labour shortages, which contributed to their financial woes. Pathirana and Yarime (2017), proposed a model that brings together several different stakeholders, SMEs, government, financier providers, and industry associations, into cooperation. By offering simplified access to financial facilities and expanding the information coverage of energy-saving technologies, the model can help SMEs overcome obstacles and adopt more eco-friendly business practices. Not only does this promise environmental sustainability, but it also enhances the competitiveness of the apparel industry. Ali and Opatha (2008) examined the influence of performance appraisal and performance business on Sri Lankan garment firms.

Performance appraisal systems that were systematic were among the driving forces behind business performance, according to their work. Organisations that had formal performance appraisal (PA) systems had better chances of seeing improvement in performance. Although their study did not directly examine sustainability, it indirectly supports the idea that systemic human resource practices and performance appraisal are critical to the development of a sustainable organisational culture. The study's implications suggest that sustainable business practices, such as employee training and development, can be a key factor in the overall success of apparel firms, particularly during challenging times.

Consistent with this research, Jayarathne et al. (2021) explained how competitive ability can enable sustainable practice in the Sri Lankan garment industry.

Six capabilities, organisational climate, operating flexibility, technical competence, partnership and alliance, knowledge sharing, and learning ability, enable firms to adopt and embrace sustainable practices in their research. Such capabilities are necessary to enable firms to develop innovative solutions that meet the new sustainability requirements and remain competitive. The researchers had assumed that promoting a quality work culture, investing in technology, and fostering continuous learning were essential to achieving goals. They further hypothesised that firms need to collaborate with supply chain players to enable easier knowledge sharing and improved sustainability practices. This research collectively embodies the dynamic relationship between complex organisational performance and sustainability practices in the Sri Lankan apparel business.

Although economic and social sustainability practices hold extreme significance in the context of a crisis, adopting technology and implementing energy-efficient practices can be arduous endeavours, particularly for SMEs. The contribution that performance management systems play in encouraging the development of a sustainable organisational culture cannot be undervalued either. Collectively, the findings create an imperative for an integrated approach to sustainability that balances economic, social, and environmental concerns with the specific challenges faced by business firms during economic downturns.

Methodology

Research design

The study employed a cross-sectional, descriptive, mixed methods design to explore staff attitudes towards best practices in sustaining performance during Sri Lanka's economic crisis. The statistical description of staff responses and the emergence of patterns were enabled by the quantitative element, while the qualitative interviews provided depth in analysing managerial meanings and issues in these circumstances. The dual strategy provided breadth and depth based on Creswell's (2014) integration principles of mixed methods.

Conceptual framework

Figure 1
Conceptual framework



(Source: Author Compilation)

Data collection tools

Most of the data was collected with the assistance of two principal tools: a semi-structured questionnaire and interviews.

Questionnaire: Based on organisational best practices literature (Ali & Opatha, 2008; Jayarathne et al., 2021), the instrument contained 25 Likert-scale items in economic and governance dimensions. The instrument was pre-tested for reliability and clarity among 10 employees.

Validity and reliability

To guarantee content validity, two scholars and one practitioner scored the measures. Construct validity was ensured by loading items into theoretical organisational resilience measures. Reliability was established through Cronbach's Alpha

($\alpha = 0.84$), supporting internal consistency of the items. Triangulation of quantitative and qualitative data strengthened the robustness of the methodology.

Sampling and participants

The sample for the study was 1,002 employees of the ABC Company. Using the Krejcie and Morgan (1970) formula, 164 workers were selected using stratified random sampling to represent production, quality, and engineering departments. Nine managers were also purposively selected for the qualitative aspect.

Data analysis

Quantitative data was analysed in SPSS v26 using descriptive statistics (means, frequencies) and correlation analysis to identify patterns or relationships between variables. Qualitative interview data were coded and examined thematically based on Braun and Clarke's (2006) six-step guide, which allowed dominant themes of challenge, implementation problem, and staff engagement to be established. The resulting convergence permitted a rich description of perception and practice within the firm.

Data Analysis

Demographic analysis

Table 1
Demographic analysis

| Factor | Category | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|--------------------|-----------|---------|---------------|--------------------|
| Gender | Female | 134 | 77.5% | 77.5% | 77.5% |
| | Male | 39 | 22.5% | 22.5% | 100% |
| Age | 18 – 20 | 28 | 16.2% | 16.2% | 16.2% |
| | 21 – 25 | 57 | 32.9% | 32.9% | 49.1% |
| | 26 – 30 | 55 | 31.8% | 31.8% | 80.9% |
| | 31 – 35 | 15 | 8.7% | 8.7% | 89.6% |
| | 36 or above | 18 | 10.4% | 10.4% | 100% |
| Educational Level | Primary | 21 | 12.1% | 12.1% | 12.1% |
| | Ordinary Level | 90 | 52.0% | 52.0% | 64.2% |
| | Advanced Level | 52 | 30.1% | 30.1% | 94.2% |
| | Graduate | 6 | 3.5% | 3.5% | 97.7% |
| | Post Graduate | 4 | 2.3% | 2.3% | 100% |
| Service Period | Less than 1 year | 40 | 23.1% | 23.1% | 23.1% |
| | 1 – 5 years | 71 | 41.0% | 41.0% | 64.2% |
| | 6 – 10 years | 44 | 25.4% | 25.4% | 89.6% |
| | 11 – 15 years | 14 | 8.1% | 8.1% | 97.7% |
| | More than 15 years | 4 | 2.3% | 2.3% | 100% |
| Distance | 5 km or below | 48 | 27.7% | 27.7% | 27.7% |
| | 6 km – 15 km | 76 | 43.9% | 43.9% | 71.7% |
| | 16 km – 25 km | 43 | 24.9% | 24.9% | 96.5% |
| | 26 km – 35 km | 5 | 2.9% | 2.9% | 99.4% |
| | 36 km or above | 1 | 0.6% | 0.6% | 100% |
| Department | Cutting | 18 | 10.4% | 10.4% | 10.4% |
| | Engineering | 10 | 5.8% | 5.8% | 16.2% |
| | FGW | 4 | 2.3% | 2.3% | 18.5% |

| | | | | | |
|--|-----------------|----|-------|-------|-------|
| | Production | 86 | 49.7% | 49.7% | 68.2% |
| | Quality | 28 | 16.2% | 16.2% | 84.4% |
| | RMW | 14 | 8.1% | 8.1% | 92.5% |
| | Technical | 4 | 2.3% | 2.3% | 94.8% |
| | Training School | 8 | 4.6% | 4.6% | 99.4% |
| | MOS | 1 | 0.6% | 0.6% | 100% |

(Source: Author Compilation)

The demographic insights from a study examining high performance in the medium-scale apparel sector highlight important traits of the workforce that can greatly shape views on best practices. The sample is largely comprised of women, making up 77.5%, and tends to be fairly young, with most workers falling within the 21 -30 age range. These hints at a workforce that’s likely more receptive to flexible working setups and new technologies.

Most of the employees have a basic education, with many reaching Ordinary or Advanced Levels, while only a few holds advanced degrees. This educational gap might influence how well they adopt and grasp intricate performance improvement techniques. Moreover, a significant portion of the workforce is relatively new in the field, with 41% having between one and five years of experience, which could offer a fresh viewpoint on operational issues.

The majority of employees, approximately 49.7%, are employed in the Production department, making it a key focus for pursuing efficiency gains. Additionally, the fact that most employees live close to their workplace, with a typical commute of 6 to 15 kilometres, could play a role in their job satisfaction and overall engagement. All these demographic factors, gender, age, education level, length of tenure, commuting distance, and department, are crucial to consider when crafting and executing strategies to enhance performance, particularly during challenging economic times.

Findings and Discussion

The survey results offer a comprehensive understanding of how medium-scale apparel workers and their management perceive practices designed to mitigate slow performance during an economic crisis. The discussion synthesises employee attitudes toward both economic and governance-oriented practices, as well as management's strategic outlook, revealing a pervasive theme of communication gaps that undermine otherwise positive perceptions and concerted efforts.

The findings highlight a strong consensus among employees on the importance of economically oriented practices, particularly in the adoption of technology. The vast majority of employees, at 92.1%, identified the implementation of new technology as a critical step to navigate economic challenges, linking it to enhanced productivity and efficiency. This positive perception is further reinforced by the acknowledgement that technology has increased service efficiency and saved time. However, this enthusiasm is tempered by underlying concerns, as some employees expressed worries that new technologies could be used to manage or reduce labour costs, a sentiment echoed in research on the impact of automation on traditional roles (Bessen, 2019). This nuance suggests that while the workforce is ready for technological advancement, management must be transparent about its purpose to build trust and avoid resistance. The study also reveals significant deficits in employee awareness regarding other key economic strategies. For example, a large majority of employees, 81.7%, were either unaware or unclear about the company's investments in research and development (R&D). Similarly, 81.7% of the workforce was uninformed about the organisation’s use of electronic media for business activities. This lack of awareness points to a breakdown in internal communication, which can disengage employees from innovation-related activities and hinder long-term performance improvement. Current literature emphasises the positive impact of employee awareness on new products and process development (Ganter & Hecker, 2013) and the crucial role of digitalisation during economic crises (Deloitte, 2020). Although many employees understood the rationale behind market expansion drives, a significant portion (41.5%) remained unsure or uninformed, indicating a failure to effectively communicate the strategic rationale behind these initiatives (Kotler & Keller, 2022). In contrast, environmental practices such as recycling and repackaging were widely supported (89.6%), indicating that they are a well-communicated and accepted business practice. However, a knowledge gap still exists, as a portion of the workforce remains unclear on how these practices translate into tangible cost savings, reinforcing the need for transparent cost-benefit justifications to garner full employee support (Porter & Kramer, 2011).

Shifting to governance-oriented practices, the study found a generally positive perception of initiatives such as training and development. An overwhelming 96.9% of employees acknowledged the company’s commitment, with a majority linking these programs to improvements in service efficiency through skill development and behavioural changes. However, even in this area of high awareness, a notable 18.9% of employees were uninformed, highlighting a need for

more inclusive communication. Perceptions of working conditions, health, and safety were also positive, with 93.9% of employees recognising this focus, which contributes to increased morale. The company's provision of healthcare coverage was also well received; however, a small percentage (9.7%) of employees remained uninformed about its benefits, again highlighting a communication gap. The recruitment of people with disabilities (PWDs) was widely known (87.8%), but a significant number of employees were unaware of the rationale behind this initiative. Conversely, a major disconnect was identified in the area of stakeholder engagement, where only 25% of employees believed an action plan was necessary, with an overwhelming 75.1% being uninformed about the organisation's stance on the matter. This highlights the urgent need for transparent communication to clarify the crucial role of stakeholder engagement in navigating economic challenges. Finally, while salary and incentive distributions were perceived as consistent and positive by over 90% of employees, many were unclear about the underlying policies and reasons, suggesting a need for more explicit communication to enhance employee trust and morale.

From a management perspective, the study highlights a complex landscape of challenges. While there was a consensus on the severity of issues like rising costs and reduced demand, views on foreign currency shortages and currency depreciation were more mixed. Management-proposed solutions included finding new suppliers, utilising local materials, and targeting new customers and product approaches. A crucial alignment was found between management's strategies and employee perceptions, as management emphasised the need for new technology adoption and employee development programs to mitigate negative effects. However, management also identified hurdles such as potential employee resistance and budget restrictions, underscoring the importance of improving internal communication to successfully implement these strategies. The collective findings suggest that while medium-scale apparel companies are actively pursuing best practices, their effectiveness is often hampered by a lack of transparent and comprehensive communication. To strengthen economic resilience and performance, management must not only formulate sound strategies but also actively engage and inform employees, fostering a culture of shared understanding and commitment. This holistic approach, integrating strategic actions with robust communication, is key to building an informed and resilient workforce capable of weathering economic crises.

The findings suggest that technological adjustments, process reengineering, and employee training are among the best practices for achieving top performance during an economic downturn. This aligns with Organisational Resilience Theory, which prioritises flexibility and proactive learning (Lengnick-Hall et al., 2011). According to Pathirana and Yarime (2017), limited finances and poor information flows remain the most significant constraints. Employees' attitudes reflect an exceptionally high sense of work health and safety programs, but an exceptionally low sense of R&D expenditure and strategic objectives reflect poor in-house communications. Employees' participation and integrity are the primary determinants of maintaining trust and morale in crisis scenarios, as suggested by Kotler and Keller (2022).

Policy-wise, as training systems and fair compensation are being designed, doubts about the intention and applicability in policy-perception discord manifest. This aligns with Porter and Kramer (2011) in proclaiming that shared value creation is founded upon clear communication of organisational purpose to all.

Management interviews corroborate these findings, citing economic stress, exchange rates, and staff resistance as significant implementation impediments. These findings support the use of Crisis Management Theory, where adjustment of response will take precedence most of the time. Companies must adopt best practices in long-term planning instead of relying on short-term survival tactics to achieve resilience.

Conclusion and Recommendation

The study provided real-world observations of employees' attitudes and administrative processes in a medium-sized apparel company during an economic crisis. It recognised a class of employees who were most receptive to innovations, such as adopting technology and recycling, and were very sensitive to quality assurance. It also indicated key gaps in communication, particularly in investment in research and development (R&D) and electronic media in buying and selling. Additionally, although employees welcomed innovative marketing strategies, they were unaware of their specific targets. Results emphasise the importance of transparency and effective communication among employees and management, fostering enhanced comprehension and alignment of corporate objectives.

With regard to governance, employees valued and savoured training courses, health and safety initiatives, and employee wellness programs, which they believed extensively contributed to the enhancement of service efficiency and spirit. Yet, there were some staff members in doubt regarding certain policies, such as the distribution of systematic incentives and medical insurance coverage. This highlights the need for effective communication and involvement to ensure that workers are fully aware and appreciate these forms of governance. Overall, while workers were willing to adopt company

practices, a gap still exists due to a lack of knowledge about certain practices, which hinders complete acceptance and implementation.

Views from management also emphasised the problems faced by the company during economic recessions, including significant expenses, low demand, reduced production, and foreign currency shortages. Despite some cost-cutting strategies, customer purchasing processes, and technology-based solutions being implemented, issues related to implementation, such as employee resistance, lack of resources, and ill-defined policies, emerged as barriers. Apart from that, currency devaluation problems, changes in overtime policies, and reductions in services have brought about concerns regarding workers' morale and the overall maintenance of performance. These observations indicate not only the effectiveness of crisis management methods but also that they entail employees' acceptance through quality decision-making practices and involvement.

While addressing such an issue, research recommends opening channels of communication to facilitate company policy and strategic decision-making regarding simplifying and streamlining. Open discussion forums, refresher sessions from time to time, and employee involvement in decision-making can increase awareness and acceptance among employees. Moreover, continued training programs must focus on reskilling employees with the necessary competencies to align with market trends. Greater inclusivity and employee well-being programs can also boost morale and productivity. Additionally, anticipatory cost-reduction strategies, diversification of supply chains, and stakeholder engagement must be implemented to enhance operational resilience. Through cultivating a culture of transparency, participation, and flexibility, medium-sized fashion companies are better positioned to cope with economic uncertainties and prepare for long-term sustainability.

Future research directions

The findings of this current study provide fertile ground for investigating employees' attitudes towards best practices in maintaining organisational performance during economic crises in Sri Lanka's garment industry. However, several avenues for future studies remain to further develop theoretical richness and practical utility.

Subsequent studies would then be in a position to adopt a comparative multi-industry study design, extending beyond the fashion industry, to other industries such as tea, rubber, tourism, or the banking industry. It would place researchers in a position to ascertain whether communication at workplaces, process innovation, and optimal practices for transparency, which have been found to arise in such studies, are transferable across other economic contexts.

Second, while the current study employed a cross-sectional research design, subsequent research could opt to use a longitudinal study design to examine how organisational practices and attitudes towards them change over different stages in a crisis (pre-crisis, mid-crisis, and recovery). Longitudinal data of this kind would provide additional insights into the long-term flexibility and sustainability of best practices.

Third, causal relationships among variables such as worker commitment, crisis management procedures, and organisational performance can be tested empirically in future research using more advanced statistical techniques (i.e., multiple regression, SEM, or PLS modelling). This would extend beyond descriptive findings to build predictive or explanatory models of resilience.

Fourth, cross-cultural comparative studies are possible with other developing countries of South Asia or Southeast Asia that are facing similar macroeconomic shocks. This would enable one to determine whether cultural or institutional factors influence crisis management practice.

Fifth, further qualitative research would study organisational learning, leadership behaviour, and emotional resilience as mediator variables of best practices and resulting performance. This would again narrow the theory in organisational behaviour and crisis management.

Finally, future researchers can take a policy track option wherein they can examine how country-level policies, government intervention, and global supply chain pressures impact the strategic decision-making of medium-scale garment firms. Organisational and policy levels of analysis would provide a rich description of competitiveness and resilience in unstable economies.

Lastly, as underscored in this research, future studies must strengthen their theoretical foundations, increase their empirical scope, and enhance their methodology to provide meaningful crisis management practices for emerging economies.

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