

## Ethical Integration of Artificial Intelligence in Human Resource Practices: Challenges and Opportunities for Small and Medium-Sized Enterprises (SMEs)

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### Abstract

The adoption of sustainable practices by managers and owners of small and medium-sized enterprises (SMEs) is influenced by a multitude of factors, including financial constraints, regulatory requirements, organizational culture, and leadership commitment. Understanding how these factors interact is essential for comprehending the decision-making processes related to sustainability (Abdul Basit et al., 2024). Unlike large enterprises, SMEs often face resource constraints that limit their ability to adopt advanced environmental and technological programs. However, their simplified processes make them more adaptable to change (Abdul Basit et al., 2024).

Artificial Intelligence (AI) has shown significant potential in enhancing Human Resource (HR) practices, offering efficiencies in recruitment, talent management, and employee engagement. For instance, AI-powered tools can streamline candidate selection through automated resume screening and predictive analytics, reducing time-to-hire and improving talent acquisition outcomes. Despite these advantages, many SMEs are lagging in integrating AI into HR functions due to high integration costs and concerns about delegating critical HR functions to non-human systems (AL-JEHANI et al., 2021). Additionally, SMEs face challenges in embedding ethical considerations into their AI-driven HR policies, ensuring that technology aligns with organizational goals while upholding fairness, transparency, and privacy (Badghish and Soomro, 2023).

This study aims to examine the key factors that facilitate or hinder the ethical implementation of AI in HR practices within SMEs. Using a mixed-methods approach, including qualitative interviews with SME managers and quantitative surveys, the study will explore the intersection of technology adoption, ethical considerations, and organizational dynamics. The research seeks to provide actionable insights for SMEs to navigate the complexities of AI integration in HR while maintaining ethical integrity and achieving sustainable growth.