Employee compensation, human resource policies, and organizational performance in Ankole Coffee Producers' Cooperative Union, Kabwohe Municipality, Uganda

Steve James Andonzire[1]
Alice Ngele Mwazuna[2]
Kaaya Siraje[3]
Alex Kanyesiime [4]

[1]andonzirestevejames@gmail.com
[2]*alicengelemwazuna@gmail.com
[3]skaaya@kab.ac.ug
[4]kansiimealex@gmail.com

[2]https://orcid.org/0000-0001-7537-9391

[1,2,3,4] Kabale University, Uganda

https://doi.org/10.51867/ajernet.7.4.39

ABSTRACT

This study examined the effect of employee compensation on organizational performance and the moderating role of human resource (HR) policies in Ankole Coffee Producers Cooperative Union (ACPCU), Kabwohe Municipality, Uganda. The study addressed persistent performance challenges, including low profitability, stagnant market share, and high employee turnover. Guided by Equity Theory, Social Exchange Theory and Best Fit Theory, the study adopted a critical realist paradigm and a convergent parallel mixed-methods design. The target population comprised 250 employees, from whom 152 respondents were sampled using the Krejcie and Morgan table. Quantitative data were collected using structured questionnaires, while qualitative data came from key informant interviews and document review. Of the 152 questionnaires distributed, 150 were returned, yielding a 98.6% response rate. Quantitative data were analysed using descriptive statistics, correlation and regression, while qualitative data were analysed thematically. Findings revealed a significant positive relationship between employee compensation and organizational performance ($r = 0.502$, $p = 0.001$). Regression results indicated that compensation significantly predicted organizational performance ($B = 1.130$, $\beta = 0.390$, $t = 5.95$, $p = 0.001$), explaining 53.2% of its variance. HR policies strengthened this relationship, increasing explained variance to 67.0%, while the interaction model explained 72.1% ($\Delta R^2 = 0.051$, $p = 0.001$). Qualitative and documentary evidence corroborated these findings, particularly regarding salary fairness, benefits, bonuses, transparency, performance appraisal and retention. The study concludes that equitable compensation, supported by effectively implemented HR policies, enhances organizational performance. It recommends periodic salary reviews, performance-based incentives, employee welfare benefits, and continuous monitoring of HR policies.

Keywords: Coffee Producers, Cooperative Union, Employee Compensation, Human Resource Policies, Organisational Performance

I. INTRODUCTION

The concept of employee compensation refers to the entire package of benefits that the employees receive in return for the services rendered. This includes both tangible and intangible benefits that are provided to employees in return for their services to the organization (Okoye, 2022). The benefits consist of salary equality, performance bonuses, perks, and salary transparency, which have a great influence on the emotions and behavior of employees at work (Naidu & Satyanarayana, 2018). Fair compensation is a fundamental driver of job satisfaction and consequently employee performance. For example, the fairness of compensation influences the motivation and commitment of employees, which in turn is demonstrated in their productivity (Arneson, 2018). The transparent reporting of the pay scales and bonus system by the organization builds trust and eliminates any negative speculations on the part of employees (Zafar et al., 2020). Further, the use of performance bonuses and well-designed perks such as health insurance and retirement benefits retains employees, especially in such changing fields as agriculture (Korneeva et al., 2019). The salary increase is compared to the symbol of recognition and value that motivates employees to be committed to the organization (Okoye, 2022). Overall, employee compensation should not be regarded merely as payment for services rendered but as an important human resource management mechanism through which organisations can enhance employee motivation, satisfaction, retention and, ultimately, organisational performance (Okoye, 2022; Korneeva et al., 2021).

Licensed Under Creative Commons Attribution (CC BY-NC)

The organizational performance refers to the extent to which the organization achieves its desired objectives such as financial gain, efficiency, market share, and innovative capabilities. Performance outcomes, including employees' long-term dedication and commitment, provide a linkage between HR practices and the better performance of the company (Akinwumi et al., 2021). However, in cases when salary structure is poor and conflict issues are not resolved, there will be inefficiency in the organizational performance that leads to poor financial performance and employee productivity (Mone & London, 2018). In addition, a more experienced team will be well-acquainted with internal procedures and hence be more willing to offer innovative ideas, which helps improve innovation (Birdsall, 2018). Other than that, the use of the performance management system, which is adequately formulated, ensures that employee efforts contribute to company objectives and performance (Johara et al., 2018). Commitment and consistency among the workers have been shown to correlate significantly with organizational performance due to the competitive positioning by contented workers, this clearly shows that the performance of any organization is not independent of its human capital management process (Stor, 2024).

HR Policies refer to the system of regulations through which organizational policies control their employees. These policies decide how the organization will deal with issues related to remuneration, recruitment, performance, and retention (Ekanem & Osarenmwinde, 2025). Good and consistent HR policies guarantee the success of implementation of organizational strategy, especially in case of human capital intensive organizations, such as marketing organizations (Sawaneh & Kamara, 2019). To keep relevance, these policies have to be flexible enough to manage changes in the working environment without being unfair (Birdsall, 2018). A sound compensation policy outlines how salaries and incentives are designed and helps determine how motivated and satisfied the employees feel about their work in terms of compensation (Zafar et al., 2020). Similarly, recruitment and selection policy helps in making sure that the recruitment process leads to bringing on board the skills needed as well as the values of the individuals being in line with that of the organization; therefore, reducing the risks of early exit (Naidu & Satyanarayana, 2018). Effective performance management policy makes provisions for measures for assessing and developing the employee's performance in a manner consistent with the organization's vision and consistent application of these policies goes a long way in supporting the employee retention strategies as well as improving organizational effectiveness (Ekanem & Osarenmwinde, 2025). This is because HR policies are not just papers but a very strong guideline for managing compensation, retention and performance in any organization (Fahim, 2018).

Coffee industry in Uganda, which is among the top agro-food export sectors, has received much interest in terms of cooperatives-based marketing strategy as an approach towards maximizing the farmers' income and negotiating capacity (Makinde, 2024). Cooperative unions for coffee have become critical in ensuring the consolidation of the product and connecting the smallholder farmers to both local and international markets, although the internal mechanisms of these unions have been found to vary (Nalubowa et al., 2024). Despite the fact that some of the unions have recorded considerable success in terms of market entry and management of quality, others have continued to encounter problems related to lack of stability in terms of manpower, innovation, and provision of services (Hill et al., 2021). Such unions have failed to become catalysts of inclusive agricultural development because of inefficiencies within them (Makinde, 2024). The low compensation structure, imprecise job descriptions, and lack of performance-based motivation have caused decreased morale and efficiency among workers in certain coffee unions (Katabalo & Mwita, 2024). The poor management of HR prevents such organizations from possessing the right strategic human capital necessary for market connections and sustainability creation (Deusdedit et al., 2023). Moreover, the managers in cooperatives spend more on the farmers' mobilization than on the organization's development, which continues to decrease the workers' satisfaction and retention (Namanya, 2022). In view of the transition to commercial farming in Uganda, it is important to overcome the weaknesses within coffee unions in terms of workers' management.

1.1 Statement of the Problem

Organizational performance is one of the most important indicators of success and sustainability for an organization. It is usually expressed in terms of profitability, productivity, gains in market share, and efficiency. Proper human resources (HR) practices such as employee compensation are believed to motivate, increase commitment, contribute to workforce stability, and result in better performance (Katabalo & Mwita, 2024). With this end in view, Ankole Coffee Producers Cooperative Union has developed several HR policies, among others, employee compensation and benefits, performance management, and employee retention in order to motivate employees and improve organizational performance. Despite these HR policy interventions, Ankole Coffee Producers Cooperative Union still demonstrates poor performance. The profitability of the organization remains at the level lower than 7%, whereas the target is 20%. At the same time, there has been no progress regarding the growth of the market share which has remained approximately equal to 8% from 2018 to 2024 (Ankole Coffee Producers Cooperative Union Annual Report, 2023). Moreover, ACPCU experienced substantially high staff turnover, with turnover reported to have exceeded 70% in 2020 and 50% in 2022 (Ankole Coffee Producers Cooperative Union (ACPCU), 2023).

Though previous research has investigated the issue of employee compensation, and organizational performance, very little empirical data has been collected regarding the influence of compensation and HR policies on

Licensed Under Creative Commons Attribution (CC BY-NC)

organizational performance attributes including profitability, productivity, increase in market share, and efficiency in operations in cooperative institutions. This research is, therefore, intended to investigate the correlation between employee compensation, HR policies and organizational performance in Ankole Coffee Producers Cooperative Union.

1.2 Research Objectives

i. To examine the effect of employee compensation on organizational performance in Ankole Coffee Producers Cooperative Union, Kabwohe Municipality.
ii. To analyze the moderating effect of human resource policies on the relationship between employee compensation and organizational performance in Ankole Coffee Producers Cooperative Union, Kabwohe Municipality.

1.3 Research Hypotheses

Ho_1: Employee compensation has a significant effect on organizational performance in Ankole Coffee Producers Cooperative Union, Kabwohe Municipality.

Ho_2: Human resource policies significantly moderate the relationship between employee compensation and organizational performance in Ankole Coffee Producers Cooperative Union, Kabwohe Municipality.

II. LITERATURE REVIEW

2.1 Theoretical Review

Equity theory, social exchange theory and best fit theory have been used to give the study the necessary theoretical background. According to equity theory as established by Adams (1963) to illustrate how employees view fairness in their place of work and how these views affect their behavior, the perceptions of equity by the employees as far as compensation is concerned plays a big role in motivation, job satisfaction, organizational commitment and performance of the employees. On its part, the social exchange theory as formulated by George Homans (1958), followed by Peter Blau (1964) who elaborated on this theory to describe social relationships based on the exchange of benefits and obligations, the theory demonstrates that when there is fair compensation by the organization, the employees show loyalty and reduced turnover in addition to increased performance. Finally, the best fit theory adds that for the organization to perform optimally the strategies of compensation must be in line with the strategy and culture of the organization. In combination, these theories provide an explanation of how compensation affects organizational performance. In equity theory, there are fairness perceptions, while in the case of social exchange theory there is reciprocity in the actions of the employees. Finally, in the case of best fit theory there are insights into how HR policies can be designed.

2.2 Empirical Review

2.2.1 Employee compensation and organizational performance

The link between employee remuneration and organizational performance has remained an interesting phenomenon both in private and public sectors due to its influence on productivity and motivation. Reddy (2020) in his work carried out in India focused on the impact of compensation on employee performance by using a descriptive research design and quantitative methodology. Data was collected using structured questionnaires and the statistical measures used for the analysis were simple and included mean and standard deviation. The results showed that there is a positive link between appropriate compensation and employee performance. In addition, Naidu & Satyanarayana (2018) examined the role of compensation in Indian manufacturing firms using a quantitative method too. Their results are consistent with those obtained by Reddy in that performance-related bonuses, allowances, and salaries motivated employees to work hard. On the other hand, Okoye (2022) analyzed Muoka Foam located in Lagos, Nigeria using the survey research approach and regression analysis method; his findings show that an appropriate compensation structure will generate high organizational performance. Despite their varying settings, India and Nigeria, the connection between these two studies is that in any economy, whenever there is proper compensation, organizational outcomes are bound to be better. The major limitation, however, is that in all the studies carried out, none of them has looked into the aspect of cooperative unions, agricultural organizations such as Ankole Coffee Producers Cooperative Union, whose setting is totally different from industrial organizations. The reason for this is that they have not taken into consideration the internal human resource policy that might influence compensation performance.

Moreover, the researchers Silaban and Syah (2018) studied the impact of compensation on the turnover intention of the employees working in Indonesia using the correlational research approach along with the regression analysis which linked compensation and organizational commitment with low turnover. This is consistent with the findings by Akinwumi et al. (2021) who showed in their study in Nigeria that the salary administration process had a direct impact on the organizational performance with conflict management as a complementary variable. Survey data and statistical analysis were utilized to determine the significance of salary justice as an influential factor in improved employee performance. On a different note, Korneeva et al. (2019) performed a study in Russia on competitive salary as an

Licensed Under Creative Commons Attribution (CC BY-NC)

indicator of company efficiency based on theoretical modeling and empirical data from industries. In comparison of these researches, a clear synthesis emerges, that proper remuneration in terms of competitive salary and salary administration ensures organizational performance. But here is where the difference arises – in what particular aspects (turnover intention, conflict management and competitiveness), are taken into account in various parts of the world. If the Indonesian and Nigerian cases focus more on internal aspects and internal justice, the Russian case focuses entirely on competitiveness of the market. There is one significant thing that the three have in common – the lack of agricultural cooperatives in this respect and the impact that their remuneration system has on performance within a moderated relationship in accordance with human resource policies, as it happens in the Ankole Coffee Producers Cooperative Union.

Another point of note would be that other studies such as those by Asaari et al. (2019) in Malaysia focused on the three components of salary, promotion, and recognition as factors contributing to employee motivation within the context of government trade organizations. A quantitative survey method was used which used regression analysis to determine that the three variables positively affect productivity. Similarly, Mudhofar (2021) studied the government organizations in Indonesia where he focused on the role of performance allowances as a significant variable which contributes to motivation and organizational productivity. In addition, Pratama et al. (2025) from the University of Muhammadiyah Tangerang used a combination of performance allowance, motivation, and organizational culture to analyze the improvement of employee performance. This has been done through the use of structural equation modeling. From the three studies, it can be noted that the focus has expanded from the base salary to other aspects of remuneration as well. But their environments are mostly institutionalized and formal public sectors, thereby making their findings hardly relevant to cooperative enterprises functioning within an agricultural economy. For instance, the Ankole Coffee Producers Cooperative Union should take into account performance incentives along with the socio-economic environment in the rural setting as well as collective ownership system. This research, therefore, offers a new criticism through looking into cooperative systems outside the urbanized formal institutions.

According to Onuegbu (2025), there was an empirical investigation carried out in Nigeria to explore the effects of wages on organizational performance. This research utilized a cross-sectional survey research design and analyzed the effects using regression analysis of wages on morale, job satisfaction, and productivity. The study revealed that wages had a direct effect on performance indicators in different firms in terms of employees' commitment and work ethic. Although the findings strongly suggest that wages motivate productivity, the research inclined more to organizational studies and neglected the cooperative/union organizations. On the other hand, Mukundane (2019) examined the effects of wages on employee performance in Kasese district, Uganda. The research involved descriptive research design and quantitative data analysis methods. The findings revealed that low wages demotivated the workers and limited their efficiency whereas improved wages were associated with increased efficiency and motivation. Contrary to Onuegbu, Mukundane provides a more rural and localized perspective, which makes his work relevant to this current research to some degree. But what is still missing from both of their analyses is any consideration about how human resources policies might influence the process of formation of the connection between compensation and performance. In addition, neither researcher considered any specific organizational peculiarities that could be observed, for example, in the agricultural cooperatives like Ankole Coffee Producers Cooperative Union, which would differ from usual public or private organization. This research attempts to fill this gap.

2.2.2 The moderating effect of HR policies in the relationship between employee compensation and organizational performance

Through the best fit theory, which postulates that organizational performance is achieved when there is a good alignment between human resource policies and organizational context, Onwuka & Onwuchekwa (2018) investigated the impact of compensation management on organizational performance in some selected pharmaceutical firms in Awka, Nigeria. The results proved that the structure of salaries, allowances, and bonuses based on performance influence the level of motivation of employees and ultimately organizational performance through factors like profit, productivity of workers, and customer satisfaction. Nevertheless, they identified that without HR policies, like appraisal and promotion systems, the efforts of compensation would not lead to improved performance. This observation supports the idea that HR policies provide a framework that guides and shapes the effects of compensation. In another study, Zafar et al., (2020) applied the theory of strategic human resource management in investigating the impact of compensation practices on job performance. According to their results, even in situations where financial incentives are enticing, the lack of an adequate HR policy and proper remuneration system can foster mistrust and decrease work efficiency among employees. The importance of having a good HR policy for transforming financial incentives into performance is also emphasized in both articles. If one considers the case of Ankole Coffee Producers Cooperative Union and the interaction between the culture of cooperation and official employment relationships, the role of HR policies as moderators in this scenario is particularly critical. In this union, although employees get salaries or bonuses, they need a good HR policy to ensure equity, transparency, and career advancement.

Licensed Under Creative Commons Attribution (CC BY-NC)

The discourse is further enhanced by Kang and Lee (2021), who employ the resource-based theory to claim that the employee compensation policy can act as a sustainable competitive advantage through an appropriate implementation of the HR policy. In their empirical investigation targeting HR education practitioners, Kang and Lee (2021) found that organizations that have an articulated compensation policy that was linked to training and evaluation programs were able to attract excellent employees and sustain innovations and efficiency in the long run. Unlike previous researchers who concentrated on the financial elements of compensation, Kang and Lee (2021) stressed the strategic alignment aspect, where the HR policy acts as a moderator. Similarly, the work by Olson et al., (2018), who sought to investigate how HRM policies in the marketing department influence strategic implementation, revealed that bundling of compensations with policy structures such as mentoring, goal setting, and feedback would lead to successful strategy implementation by ensuring proper concentration of employees. In a cooperative business environment, such as Ankole Coffee Producers Cooperative Union, the issue of performance cannot be considered as simply the payment of wages. The HRM policies should act as a moderating element for the process of giving and monitoring of salaries.

Furthermore, Okeke and Ikechukwu (2019), through their empirical study on compensation in Nigeria, indicated that compensation without HR policies often causes dissatisfaction, particularly in organizations with decentralization. In their study, the scholars argued that there could only be improvements in employee performance when compensation was accompanied by regular employee performance evaluations, grievance handling mechanisms and career development policies. Similarly, Keynan (2018) found in her research carried out in Wajir County, Kenya, that HR policies like policies for internal promotion and disciplinary policies moderate the link between compensation and employee performance. The study further established that even though employees were well compensated, poor performance emerged due to inadequate and poorly defined HR policies. The above studies point out an important issue for cooperative unions like Ankole Coffee Producers Cooperative Union. In the rural area of Uganda, wage structures are either fixed or determined by the financial status of the cooperatives and, therefore, HR policies play an important role in moderating compensation-performance relationship.

The policy dimension of compensation is further illustrated by Calder (2021), who examined how compensatory public policies, including income compensation, entitlements, and subsidies, were used by Japanese policymakers in response to political pressures and economic challenges, with implications for political stability and policy outcomes. . Although the research was at a macro level of analysis, Calder posits that structured and consistent compensation systems that are supported by enforceable policies create institutional trust and enhance performance and stability. Unlike the small enterprises under study, this research shows that policies have a significant impact in stabilizing the impacts of compensation. In another instance, Birdsall (2018) through an investigation of performance management in public higher education institutions shows that inconsistencies in HR policies distort the impacts of compensation on academic performance. Some of the impacts cited by the author include negative effects like demotivation, conflicts, and non-compliance among others where compensation system has no supportive HR policies that provide consistency, fairness and engage staff in the process. Considering the implications of the research to the Ankole Coffee Producers Cooperative Union, it is clear that the compensation management process cannot stand alone. The rural-based cooperatives need to ensure that their HR policies not only exist but regulate the compensation process by ensuring fairness, consistency and employee motivation.

Finally, the issue of behavioral moderations within the scope of HR policies is discussed in Mone and London (2018). These scholars conducted research on the issues of performance management and engagement. They found out that when compensation is combined with engagement policies such as goal alignment, continuous feedback, and development, employees perform much better. Importantly, their work showed that HR policies play the role of behavioral indicators which help employees to perceive the meaning and appropriateness of compensation. In philosophical terms, Arneson (2018) who was researching the topics of equality and opportunity for welfare supported the need for fair compensation together with equal opportunities. Although Arneson's work is highly conceptual, he provided a deeper understanding of the issue that HR policy moderation should include structural and ethical elements. Thus, in the case of Ankole Coffee Producers Cooperative Union, the importance of HR policies for fair compensation and its effective implementation in order to achieve high performance can be recognized.

III. METHODOLOGY

3.1 Research design

This study adopted a convergent parallel mixed methods design, in which both quantitative and qualitative data were collected concurrently, analyzed separately, and then merged during interpretation to provide a comprehensive understanding of the relationship between the study variables. This research adopted the critical realism perspective on the assumption that although reality is not an object of human making, it is influenced by social, cultural, and institutional factors.

Licensed Under Creative Commons Attribution (CC BY-NC)

3.2 Study Area

The study area was the Ankole Coffee Producers Cooperative Union operating in the municipality of Kabwohe in Uganda. From the report of the cooperatives issued in the year 2024, the cooperative employs about 250 employees including permanent and temporary staff. The unit of analysis encompasses important individuals such as the human resource officers, finance officers, field supervisors, operation managers, and general employees.

3.3 Target population

The population comprised of the 250 employees of the Ankole Coffee Producers Cooperative Union

3.4 Sampling and Sample size

The sample size was estimated using Krejcie and Morgan (1970) table for determination of sample size. The population used in this study is 250, and according to the table, the appropriate sample size established was 152 respondents. Simple random sampling was used to determine the primary respondents for the study, while Purposive sampling was used for the key informants.

3.5 Data collection Instruments and Procedures

A structured questionnaire was used to collect quantitative data from the primary respondents, while the interview guide was used to collect qualitative data from the key informants. The document review checklist was used to guide systematic collection of secondary data from sources such as HR manuals, policy documents, performance reports, and retention records.

3.5 Data Analysis

The quantitative data were analysed using descriptive and inferential statistics in SPSS, while the qualitative data were analysed using thematic analysis, aided by NVivo software (Version 12).

3.6 Ethical Considerations

The researcher obtained the consent of each participant before the data collection process began. Confidentiality and privacy of all participants' information were strictly observed during the research process. The researcher made sure that any possible risk factors, such as emotional strain or stress, would be minimized, especially during interviews on sensitive issues.

IV. FINDINGS & DISCUSSION

4.1 Response Rate

A total of 152 questionnaires were distributed, out of which 150 were received back, making a response rate of 98.6% which was excellent for the study

4.1.1 Demographics of participant (n = 150)

The study sought to find out the demographic composition of the participants in terms of their age, level of education, years of experience and their employment status and the results were as presented in table 1 below.

Table 1

Demographics of employee participants.

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	97	64.7
	Female	53	35.3
Age	18-23	18	12.0
	24-29	34	22.7
	30-35	38	25.3
	36-41	29	19.3
	42-47	23	15.3
	48-53	8	5.3
Level of Education	UCE	42	28.0
	UACE	31	20.7
	Certificate	14	9.3
	Diploma	32	21.3
	Degree	29	19.3
	Master's	2	1.3
Years of Experience	0-3	31	20.7
	4-6	67	44.7
	7-10	34	22.7

Licensed Under Creative Commons Attribution (CC BY-NC)

	11-15	18	12.0
Employment Status	Causal Workers	53	35.3
	Contract	76	50.7
	Permanent	21	14.0

Table 1 provides a clear view of the demographic characteristics of the 150 employee respondents in this study. In terms of gender, the majority of the employees in the sample were male, representing more than half of the sample, while only slightly more than a third were female respondents. This suggests that there is a gender imbalance amongst the employees in the sample which may be a reflection of the general workforce within the organization/industry being studied. Regarding age, most of the employee respondents were aged between 24 and 41 years, which suggests that there was a predominance of young and middle-aged respondents in the sample. There were relatively low numbers of employees below the age of 24 and above 41 years. As far as education and work experience are concerned, there is a great variety of educational qualifications among the employee participants. The majority of them had UCE, UACE, diploma, and degree level of education. Only a few of them had master's degree, while nobody possessed a PhD. Their work experience varied from 4 to 6 years for the most part. Not many of them had long years of experience, which was more than 10 years. As for the employment status, half of them were on contract, a bit more than one-third of them were casuals, while only a few of them were permanent employees.

Summary of the descriptive statistics for the study variables: The opinions of the respondents were sort covering the various measures of the study variables (employee compensation, HR policies and organizational performance and the results of the descriptive statistics were as summarized ib the table 2 below.

Table 2

Summary of descriptive statistics of the study variables

Statistics	Compensation	Org. Performance	HR Policies
Mean	4.030667	4.089104	3.975556
Standard Deviation	0.700319	0.965907	0.710564
Kurtosis	0.380389	4.184164	2.901301
Skewness	-0.81704	-2.18625	-1.26967
Minimum	2	2	1
Maximum	5	5	5
Count	150	150	150

The descriptive statistics showed that the variable with the highest mean was the organizational performance with a mean of 4.089, then employee compensation with a mean of 4.031, and finally the human resource policies with a mean of 3.976. This meant that the respondents were in agreement about the existence of the above variables and their effectiveness within ACPCU since all the means were above 3.9. The standard deviation for all the variables was between 0.61 and 0.97, which implied a moderate variance in the opinions given by the respondents concerning each of the variables. Organizational performance had the highest variance among the variables. This meant that employees had varied opinions on organizational performance compared to other variables. Regarding the shape of distribution, the values of skewness for all variables were negative, where organizational performance was skewed the most negatively with -2.186 which means that the larger number of respondents gave higher performance scores with concentration towards the top of the scale. For compensation (-0.817), the negative values of skewness also indicate that the majority of employees agreed with the positive statements related to the variables. As far as the value of -1.270 for HR policies is concerned, it can be interpreted as the moderately negative skewness because the majority of participants believed that these policies worked but had gaps as well. The values of kurtosis indicated that retention and compensation possessed normal distribution, whereas organizational performance (4.184) and HR policies (2.901) were characterized by high kurtosis and pointed at peaked distributions. Organizational Performance is a highly negatively skewed and kurtotic variable, suggesting that responses were highly clustered on the higher side of the scale. Human Resource Policies also have significant non-normality.

4.2 Correlation results

In order to understand the relationships among the variables to answer objective 1, which aimed at examining the relationship between employee compensation and organizational performance, a correlation analysis was performed. The table below presents the correlation results showing the correlation among the measures and the variables.

Licensed Under Creative Commons Attribution (CC BY-NC)

Table 3

correlation between employee compensation and organizational performance

	Compensation						Performance				
	1	**2**	**3**	**4**	**5**	**Comp Var**					**Perf Var**
Salary Fairness 1	1										
Benefits 2	0.629	1									
Bonuses 3	0.63	0.515	1								
Pay Transparency 4	0.487	0.54	0.477	1							
Wage Growth 5	0.49	0.527	0.513	0.489	1						
Compensation	**0.82**	**0.82**	**0.797**	**0.754**	**0.757**	**1**					
Financial 6	0.28	0.22	0.233	0.229	0.287	0.315	1				
Operational 7	-0.138	-0.088	-0.122	-0.051	-0.032	-0.11	-0.006	1			
Market Share 8	0.301	0.233	0.218	0.172	0.186	0.281	0.16	-0.085	1		
Innovation 9	0.1	0.113	0.16	-0.005	0.134	0.128	0.187	-0.044	0.046		
Operational	0.436	0.417	0.329	0.413	0.392	0.502	0.446	0.192	0.287	0.293	1

Results show that there is a significant positive correlation between employee compensation and organizational performance. Overall Compensation is significantly and positively related to Organizational Performance at r = 0.502, significant at p = 0.001, or at 1%. This implies that the presence of salary fairness among the participating employees, provision of benefits, payment of performance bonuses, transparency in compensation, and salary increases among participating employees will lead to better performance in terms of financial performance, efficiency, market share, and innovation. Essentially, good compensation will motivate the employees to work harder, leading to improved performance. From an analysis of the individual factors, salary fairness is significantly and positively correlated with financial performance (r = 0.280), market share (r = 0.301), innovation (r = 0.100), and overall organizational performance (r = 0.436). Although it has a negative correlation with operational efficiency (r = -0.138), it can be concluded that fairness in compensation helps to build trust in organizations and improve output. Benefit packages have a significant positive correlation with financial performance (r = 0.220), market share (r = 0.233), innovation (r = 0.113), and overall organizational performance (r = 0.417). There is a positive correlation between performance bonuses and financial performance (r = 0.233), market share (r = 0.218), innovation (r = 0.160), and overall organizational performance (r = 0.329). In other words, rewarding employees for their high performance encourages people to work harder, resulting in higher organizational outcomes. Pay transparency is associated with financial performance (r = 0.229), market share (r = 0.172), and overall organizational performance (r = 0.413). People who are aware of how pay systems operate do not feel suspicious about their employers and tend to work better. There is a positive correlation between wage increases and financial performance (r = 0.287), market share (r = 0.186), innovation (r = 0.134), and overall organizational performance (r = 0.392). This means that gradual wage increases make employees committed to their employers.

4.3 Multiple regression analysis

In order to test the effect of employee compensation on organizational performance, a standard multiple regression analysis was performed.

Dependent Variable: Organizational Performance

Table 4a

Standard multiple regression results testing effect of IVs on the DV.

Predictor	**B**	**Std. Error**	**Beta**	**t**	**Sig. (p)**
Constant	-1.145	0.420		-2.73	0.001
Employee Compensation	1.130	0.190	0.390	5.95	0.001

Table 4b

Model Summary

R	**R^2**	**Adjusted R^2**	**F**	**Sig. (F)**
0.730	0.532	0.526	83.82	0.001

The results revealed that employee compensation has a positive and statistically significant effect on organizational performance. The regression results revealed that employee compensation significantly predicted organizational performance (B = 1.130, β = 0.390, t = 5.95, p = 0.001). The positive coefficient indicates that an improvement in employee compensation is associated with an improvement in organizational performance. The

Licensed Under Creative Commons Attribution (CC BY-NC)

standardized beta coefficient (β = 0.390) further demonstrates that employee compensation makes a meaningful contribution to organizational performance. The model was statistically significant (F = 83.82, p = 0.001), while the R^2 of 0.532 indicates that employee compensation explained 53.2% of the variance in organizational performance. Therefore, the findings provide strong empirical evidence that the way employees are compensated is an important determinant of organizational performance in the study context.

The finding is consistent with Reddy (2020) and Naidu and Satyanarayana (2018), who established that appropriate compensation, including salaries, allowances and performance-related bonuses, enhances employee motivation and performance. Similarly, Okoye (2022) found that an appropriate compensation structure significantly improves organizational performance, while Akinwumi et al. (2021) demonstrated that effective and fair salary administration contributes to improved employee performance. The present finding also concurs with Asaari et al. (2019), Mudhofar (2021) and Pratama et al. (2025), who reported positive effects of salary, promotion, recognition and performance allowances on employee motivation, productivity and performance. Collectively, these studies reinforce the argument that compensation constitutes an important mechanism through which organizations motivate employees and improve performance.

The findings are further supported by Silaban and Syah (2018), who linked compensation with organizational commitment and reduced turnover intention, and Korneeva et al. (2019), who identified competitive salaries as an indicator of organizational efficiency. Similarly, Onuegbu (2025) found that wages positively influence employee commitment, work ethic and organizational performance. Of particular relevance, Mukundane (2019), in a Ugandan context, established that low wages demotivate employees and constrain efficiency, whereas improved wages enhance motivation and performance. The consistency of the present finding with these studies strengthens the proposition that appropriate remuneration is an important determinant of positive organizational outcomes.

Despite this convergence, most previous studies were conducted in manufacturing firms, government institutions and conventional private-sector organizations, with limited attention to agricultural cooperatives. The present study therefore extends the existing literature by providing empirical evidence from Ankole Coffee Producers Cooperative Union, an agricultural cooperative operating within a rural socio-economic environment. The finding demonstrates that the positive contribution of compensation to organizational performance is also relevant within cooperative organizations, where resource constraints, collective ownership and the agricultural operating environment may influence compensation practices. The study consequently addresses an important contextual gap in the existing literature.

The finding also implies that management should adopt fair, competitive and performance-oriented compensation systems that are consistent with the organization's human resource policies and financial capacity. However, since compensation explained 53.2% of the variance in organizational performance, the remaining 46.8% suggests that other organizational factors also contribute to performance. Thus, compensation should be viewed as an important, but not exclusive, determinant of organizational performance. Overall, the study corroborates the dominant empirical evidence that appropriate employee compensation enhances organizational performance while making a contextual contribution by demonstrating this relationship within an agricultural cooperative setting.

4.4 Hierarchical multiple regression analysis

In to address objective 2 and to understand the moderating effect of HR policies on the relationships between employee compensation and organizational performance, a hierarchical regression analysis was done.

Table 5

Hierarchical regression results testing moderation of HR policies

Model	R	R^2	Adjusted R^2	$\Delta R^2 z$	F	Sig. (F)
Step 1: Compensation + Organisation performance	0.730	0.532	0.526	,	83.82	0.001
Step 2: + HR Policies	0.795	0.670	0.663	0.138	89.65	0.001
Step 3: + Interaction Terms (Comp×HR Polosies, Org. Per)	0.806	0.721	0.714	0.051	87.12	0.001

In addressing objective two, a hierarchical multiple regression analysis was carried out in order to determine the moderating role of HR policies on the relationships between employee compensation and organizational performance. In Step 1, only the main effects of employee compensation and organizational performance were put in the equation. The R value was 0.730 while the R^2 value was 0.532, which meant that compensation accounted for 53.2% of the variability in organizational performance. From the result, it is evident that the model is statistically significant (F = 83.82, p = 0.001). Thus, the model shows that employee compensation plays a strong role in enhancing organizational performance.

In Step 2, human resources policy was included into the model as a moderator. With the inclusion of the human resources policies, R was raised to 0.795 and R^2 was 0.670, while ΔR^2 was 0.138. Therefore, we could deduce that the inclusion of the human resources policies added 13.8% to the explained variance of organizational performance, apart

Licensed Under Creative Commons Attribution (CC BY-NC)

from the contributions made by compensation. The significance of the model still was very high (F = 89.65, p = 0.001). This implies that having human resources policy in place not only helps in creating positive impacts of practices like compensation on organizational performance, but it also provides a conducive atmosphere for it.

In step 3, the interaction terms (Compensation x HR policies x Org. performance) were added in order to capture their moderating effect more precisely. As a result, there was another increase in R and R^2 (now equal to 0.806 and 0.721, respectively, and ΔR^2 being 0.051). It can be said that the moderation effect of HR policies and the interaction with the independent variables was able to explain another 5.1% of variance in organizational performance. Thus, the significance of the whole regression model increased (F = 87.12, p = 0.001), proving that HR policies significantly moderate the relationship between compensation and performance. This practically means that organizations that have well-defined HR policies can strengthen the influence of both factors on performance.

The findings established that HR policies significantly strengthen the relationship between employee compensation and organizational performance. In Step 1, employee compensation explained 53.2% of the variance in organizational performance (R^2 = 0.532, F = 83.82, p = 0.001). The inclusion of HR policies in Step 2 increased the explained variance to 67.0%, representing an additional 13.8% (ΔR^2 = 0.138, p = 0.001). More importantly, the addition of the interaction term in Step 3 increased the explained variance to 72.1%, with a further 5.1% change in R^2 (ΔR^2 = 0.051, p = 0.001). These results provide evidence that HR policies play a significant moderating role in the relationship between employee compensation and organizational performance.

The finding is consistent with Onwuka and Onwuchekwa (2018), who, drawing on the best-fit perspective, found that compensation practices such as salaries, allowances and performance-based bonuses improved organizational performance, but that appraisal and promotion policies were necessary for translating compensation into improved outcomes. Similarly, Zafar et al. (2020) established that inadequate HR policies and remuneration systems could undermine the effectiveness of financial incentives by creating mistrust and reducing work efficiency. The present finding extends these arguments by empirically demonstrating that HR policies do not merely operate alongside compensation but strengthen the extent to which compensation contributes to organizational performance. The results further concur with Kang and Lee (2021), who found that compensation linked to training and evaluation policies contributed to employee attraction, innovation and organizational efficiency. Similarly, Olson et al. (2018) demonstrated that combining compensation with HR practices such as mentoring, goal setting and feedback enhanced strategic implementation. These findings suggest that compensation is more effective when embedded within a coherent HR management system. In the context of Ankole Coffee Producers Cooperative Union, therefore, salaries and other financial rewards are likely to have greater performance effects when supported by clear policies concerning employee development, performance evaluation, feedback and career advancement.

The finding is also consistent with Okeke and Ikechukwu (2019), who argued that compensation without supporting HR policies may result in employee dissatisfaction and that improvements in performance require complementary practices such as performance appraisal, grievance handling and career development. Similarly, Keynan (2018) found in Wajir County, Kenya, that promotion and disciplinary policies moderated the relationship between compensation and employee performance. The agreement is particularly important because both studies were undertaken in African contexts where organizational resource constraints and institutional practices may shape the effectiveness of compensation systems. The present study consequently provides further evidence that appropriate HR policies can enhance the performance benefits associated with employee compensation. The findings are further supported by Birdsall (2018), who reported that inconsistencies in HR policies can distort the effects of compensation and result in demotivation, conflict and non-compliance. Mone et al. (2018) similarly found that compensation combined with engagement-oriented practices such as goal alignment, continuous feedback and employee development resulted in better employee performance. These studies help explain the present moderation effect: HR policies provide the structures through which employees understand, experience and respond to compensation. Where policies are perceived as fair, consistent and transparent, compensation is more likely to generate positive employee behaviours and organizational outcomes. The findings also resonate with Calder (2021) and Arneson (2018), who emphasized the importance of consistency, fairness and equality in compensation and organizational systems. Although their studies differ in level and context from the present research, they reinforce the argument that compensation achieves its intended effects when supported by fair and consistently implemented institutional policies. This is particularly relevant to cooperative organizations, where differences in compensation or inconsistent application of employment policies could generate perceptions of inequity and consequently undermine employee motivation.

The present study makes an important contextual contribution to the literature. Most previous studies examined HR policy and compensation relationships in pharmaceutical firms, public organizations, education institutions and other formal-sector settings. Limited attention has been given to agricultural cooperative organizations. By examining Ankole Coffee Producers Cooperative Union, the study demonstrates that the effectiveness of compensation is also dependent on the HR policy environment within a rural agricultural cooperative. The increase in explained variance from 67.0% to 72.1% following the introduction of the interaction effect provides empirical evidence that HR policies add value beyond the direct effects of compensation. Overall, the findings corroborate the reviewed literature and

Licensed Under Creative Commons Attribution (CC BY-NC)

provide empirical support for the proposition that compensation is more likely to enhance organizational performance when it is supported by appropriate HR policies. The results particularly reinforce the arguments of Onwuka and Onwuchekwa (2018), Zafar et al. (2020), Kang and Lee (2021), Okeke and Ikechukwu (2019), Keynan (2018) and Mone et al. (2018). The study therefore contributes to the literature by demonstrating that fair, transparent and well-structured HR policies can strengthen the performance benefits of employee compensation within an agricultural cooperative context.

4.5 Results from the interview guide with key informants.

The study also collected qualitative data from 3 key informants to corroborate the quantitative results and the results were as summarized below

Table 6

Demographics of the key informants.

Participant ID	Gender	Position
Participant 1	Male	Management
Participant 2	Male	Management
Participant 3`	Female	Management

The key informants were chosen according to the saturation of theory. That is when there were no more themes, then the key informants were chosen. Direct link between salary fairness and employee motivation

The participants confirmed that equitable salaries greatly influence how members of Ankole Coffee Producers Cooperative Union conduct themselves. As said by Participants 1 and 2,

> *"In this Union, where salaries are equitable and delivered on time, there is greater commitment. People do not hold back but put in their energy in the work."(12th June, 2026).*

Another one participant noted that,

> "*Where the individual feels he or she is underpaid or the payment comes late, the results will show in his or her attitude towards work. People feel demotivated, and the activities of the Union become slow."*

Allowances and benefits as performance boosters: However, the respondents always indicated that allowances and benefits play a major role in determining performance within the cooperative union. For instance, Respondent 2 (Key Informant) stated that

> *"allowances for transport are really important to many of our workers as most of them travel a great distance from villages to the factory; therefore, they remain reliable and punctual." (13th June, 2026).*

Furthermore, Respondent 1 indicated *that*

> *"the provision of medical benefits by the union reduces the pressure on the employees. When they are healthy and their families well catered for, they perform well at work." (13th Juen, 2026).*

Role of non-financial rewards in enhancing commitment: The study participants felt that apart from financial benefits, non-monetary benefits are equally important in increasing employee commitment. The participant number 2 stated,

"*Recognition by management of an individual during meetings for his/her outstanding performance boosts morale. Even in the absence of any monetary benefit, such recognition drives people to perform well." (10th Jun, 2026).*

Participant 1 also pointed out,

"Various training sessions have been conducted that have enabled us to develop our skills, and people feel that the Union is grooming them. This motivates them to serve the Union better." (20th June, 2026).

Performance bonuses as a driver for productivity: Performance bonuses have been found to inspire hard work among the members of the Union, according to the study participants. Participant 2 noted that,

> *"Whenever the Union gives a person a bonus on achieving his/her target, it inspires other people to also push themselves higher." (19th June, 2026).*

Participant 1 added,

> *"The incentive inspires us to work even beyond regular working hours, particularly during coffee harvesting season, because we know that our hard work will pay off." (20th June, 2026).*

Perceived fairness and transparency in pay: Both the participants were in agreement about the importance of ensuring transparency in the decision-making process related to remuneration. Participant 3 stated that,

> *"As far as salary calculations are clear to the staff, the trust in management increases and people concentrate on work." (16th June, 2026).*

Participant 1 commented that,

> *"As far as allowance increments or decisions about them are clear to everybody, they feel that they are also part of the process and that reduces suspicion." (19th June, 2026).*

Licensed Under Creative Commons Attribution (CC BY-NC)

Long-term impact of wage growth: It was repeatedly mentioned that incremental increases in salaries ensure the Union of dedicated members of the team. As participant 1 pointed out,

"Since they can observe the improvements in the salary level each year, they understand that they are appreciated by the Union and they remain working there longer." (20th June, 2026).

Another participant stated,

"The gradual improvement gives hope to employees and allows them to devote themselves to work in the Union rather than look for a new job elsewhere." (10th June, 2026).

HR policies shaping compensation practices: The participants felt that HR policies play an integral role in determining the effects of remuneration on the performance of Union members. Participant 3 remarked,

"Salaries are governed by HR policies in the organization, therefore ensuring fairness which ensures high performance of employees." (14th June, 2026).

Another stated,

"Through HR policies, everyone knows his or her entitlements, whether it is overtime or allowance. This helps avoid disputes and concentrate on duties." (15th June, 2026).

HR policies were thought to be essential for linking remuneration to performance. Fairness and transparency in compensation: Participants were unanimous in stating that HR policies ensure fairness and transparency in handling employee benefits. Participant 1 observed,

"If HR policies are in place, no one receives allowances or bonuses through favoritism."

Participant 1 further stated,

"HR policies will ensure that there will be less mistrust among employees because of fairness in compensation." (20th June, 2026).

Fairness was considered a motivating force which enhances performance. HR policies as a link between compensation and performance: According to the participants, human resource policies ensure the link between remuneration and retention on one hand and organizational performance on the other. Participant 3 indicated that

"Without good policies, even if you have good remuneration, the staff will not remain in the organization for a longer period and without good retention, performance will be poor." (16th June, 2026).

Another participant highlighted that

"policies are the guide lines through which remuneration and retention work together to enhance Union's performance." (16th June, 2026)

Human resource policies thus became the moderator. The research showed how the policies of human resources (HR) had considerably enhanced the impact of compensation and retention on the performance of ACPCU. Hierarchical regression analysis showed that the introduction of the HR policies increased the amount of explained variance from 53.2% to 67% ($\Delta R^2 = 0.138$, $F = 89.65$, $p = 0.001$), and the inclusion of the interaction terms resulted in raising this value to 72.1% ($\Delta R^2 = 0.051$, $F = 87.12$, $p = 0.001$). The key informants stressed that recruitment, compensation, performance evaluation, and retention policies ensure justice, transparency, and consistency thus motivating employees and increasing loyalty (Abolade, 2018). Documents analysis showed that HR policies of the cooperative included salary management, compensation, performance management, training and welfare initiatives (Ekanem & Osarenmwinde, 2025). Thus, these initiatives can be considered a bridge between the compensation and retention of employees and their performance.

Based on the framework provided by the Best Fit Theory of Human Resource Management, it is evident from the analysis conducted that an organization is able to achieve its objectives through the use of HR policies that are aligned to its vision, culture, and requirements (Oppong, 2018). In ACPCU, this alignment ensured that there was fair compensation, which at the same time aided the achievement of organizational goals. Additionally, employee retention strategies were designed in such a way that they would ensure that the cooperative was able to recruit and retain people who had skills and values that aligned with the organization's goals. The alignment of these HRM practices improved the effectiveness of Equity Theory and Social Exchange Theory. Equity Theory posits that employees' performance is boosted when they perceive rewards in terms of the effort they have put in (Shi & Shaw, 2024). On the other hand, according to Social Exchange Theory, supportive organizational practices are reciprocated by high employee performance and loyalty (Chernyak-Hai & Rabenu, 2018). In ACPCU, HRM policies ensured that the application of these two theories became successful. Through this strategy, Best Fit strategy provided the connecting structure that increased the efficiency of compensation and retention and demonstrated that strategic HR management can boost the effectiveness of both justice and social reciprocity (Katabalo & Mwita, 2024).

Additionally, the results of this study also relate to other sector-specific research. For example, Al Khajeh (2018) studied leadership style and HRM practices in Jordanian enterprises and concluded that structured HRM policies of those organizations which included such practices as fair compensation and retention resulted in the increased commitment and performance of the employees. Likewise, Fitri (2024) revealed that within the Indonesian food industry, organizations which were implementing aligned compensation and development policies achieved better results in terms of retention and performance. In Uganda, Mwosi et al. (2024) concluded that structured HRM policies

Licensed Under Creative Commons Attribution (CC BY-NC)

of local government institutions boosted the effectiveness of such practices as salary and retention on performance. It proves that the deliberate design and implementation of HR policies can do much more than just promote individual practices; these policies create the connecting framework that increases the efficiency of compensation and retention practices.

The study addresses a number of research gaps in the existing literature. Most of the previous studies have considered the issues of compensation, retention or HR policies individually (Akinwumi et al., 2021; Al Aina & Atan, 2020). Only some researches have been devoted to the consideration of two above-mentioned factors. Little is known about the potential combination of Equity Theory, Social Exchange Theory and the Best Fit approach that would help to understand how these factors impact the performance of an organization. Through combining the three theories, this research demonstrates how the policies of HR can contribute to the increase of the effectiveness of compensation and retention, thus offering the comprehensive view of the interactions between different human resource factors in order to enhance the performance of the organization.

The findings indicated that HR policies significantly augment the relationship between compensation, retention and organizational performance ($\Delta R^2 = 0.138$). This validates the Best Fit Theory which underscores the need for the alignment of HR policies with organizational setting. Nevertheless, some researchers claim that the impact of HR policies is not necessarily positive. Legge (2005) argues that formal HR policies can at times remain only in theory and do not actually materialize into action particularly in organizations with limited implementation capability. In addition, Guest (2017) points out that ineffective implementation of HR policies can lead to perceptions of unfairness among employees hence resulting in low organizational performance. From the above arguments, it is clear that the effectiveness of HR policies depends on how the policies are not only designed but implemented, consistent and perceived by the employees. In the case of ACPCU, the positive moderating role played suggests that the HR policies are not only good but also well implemented.

4.7 Document review results

The study also reviewed documents to collect secondary data on employee compensation, human resource policies, and organisational performance. The results of the document review are summarized below;

Table 7

Document review results.

Section	Checklist Item	Description (Reported Findings)	Relevant Variable	YES	NO
Employee Compensation	Salary Records	Casual workers received UGX 8,000 daily, while contract workers and permanent earned a minimum of UGX 750,000 per month. Payments were consistent across departments.	Salary fairness	✓	
	Benefit Records	A few employees had housing but food was provided and transport refunds done.	Benefits packages	✓	
	Bonus Payment Logs	Bonuses were given based on performance ratings, with an average of 150,000 UGX per employee per month in the last five years.	Performance bonuses	✓	
	Salary Scale Document	The structure was transparent, showing pay grades by job category and level of experience.	Pay transparency	✓	
Organizational Performance	Financial Statements	Annual revenue growth averaged 12% over the last three years. Profit margins were stable at around 8%. However, some years recorded very little profits of as low as 5%	Financial performance	✓	
	Operations Reports	Production timelines improved by 10% over the last year, and delivery delays reduced significantly.	Operational efficiency	✓	
	Sales Reports	Market coverage expanded into more districts, with an average sales growth of 18% annually.	Market share	✓	
	Innovation Logs	At least two new service packages were introduced each year, improving competitiveness.	Innovation rate	✓	
Human Resource Policies	Recruitment Policy	All positions were publicly advertised, and hiring followed clear selection criteria including qualification and experience.	Recruitment and Selection Policy	✓	
	Compensation Policy	Salary, benefits, and bonus guidelines were documented and aligned with labor regulations.	Compensation and Benefits Policy	✓	
	Performance Appraisal Guidelines	Performance evaluations were conducted bi-annually, with ratings tied to promotions and salary increments.	Performance Management Policy	✓	
	Retention Strategy	Initiatives included career growth training, flexible work schedules, and staff welfare programs.	Employee Retention Policy	✓	

Licensed Under Creative Commons Attribution (CC BY-NC)

From the document review results, the salaries and allowances were found to be consistent and fair in that the permanent employees received their salaries on an organized monthly basis, whereas the casual employees got daily wages. The Union provided additional amenities in the form of housing, meals and travel allowance, with bonus payments based on the performance of its employees. It was clear from the salary scales that the organization was keen on offering consistent and fair payments in different grades and categories. Performance history shows high organizational performance in terms of financial growth, efficiency, sales, and innovations. The human resource practices were relatively strong in terms of recruitment, compensation, performance appraisal, and retention through training and welfare services.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

The study shows that employee remuneration has an influence on organizational performance in Ankole Coffee Producers Cooperative Union (ACPCU). Salaries, wage structure, wage payment system, incentives, and other welfare packages have been identified to motivate and improve the productivity of employees. Prompt payment of wages and allowances has played a crucial role in improving productivity. The study results show that when employees feel fairness in compensation based on Equity Theory, they give their best effort in order to improve financial performance and innovation in the organization.

It is found out that the human resource management policies have great moderating effects on the relationship between the employees' compensation and performance of ACPCU. The good implementation of recruitment, appraisal, training and welfare policies improves fairness, consistency and transparency of organizational practice. Based on the findings using the Best Fit Model, it is evident that matching the HR policies with the organizational objectives increases the effect of both compensation and retention on performance of the organization. The HR policies thus serve as a facilitative tool for increasing employees' productivity.

5.2 Recommendations

To improve the compensation of workers in ACPCU, it is important that salary structures are developed that are commensurate with the duties performed, level of performance, and market standards. Salary structures should be reviewed periodically to take into consideration factors such as inflation and competitiveness within the sector, thus achieving equity in salary compensation. Performance-based incentives based on the output generated by employees would increase their motivation and productivity. Provision of additional benefits like transportation and medical benefits as well as pensions will improve employee morale and commitment.

To improve the moderating effect of HR policies, ACPCU needs to develop and implement its HR policies in terms of recruitment, performance appraisal, training, and welfare of employees. The HR policies developed need to be in line with the strategic goals of the cooperative so as to make sure that all HR policies contribute to organizational performance improvement. It is important to monitor and evaluate HR policies regularly in order to gauge their effectiveness and make required changes. Finally, training needs to be provided to the management on the implementation of HR policies.

Declaration of Interest

The authors declare that they do not have any known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Funding Declaration

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

REFERENCES

Adams, J. S. (1963). Toward an understanding of inequity. *Journal of Abnormal and Social Psychology, 67*(5), 422–436. https://doi.org/10.1037/h0040968

Akinwumi, O. A., Tunde, S. M., Adebusuyi, J. R., & Michael, A. O. (2021). Influence of salary administration and conflicts management on organizational performance. *International Journal of Psychological and Brain Sciences, 6*(1), 1–6. https://doi.org/10.11648/j.ijpbs.20210601.11

Al Khajeh, E. H. (2018). Impact of leadership styles on job satisfaction. *Journal of Human Resources Management Research, 2018*, Article 939089. https://doi.org/10.5171/2018.939089

Ankole Coffee Producers Cooperative Union. (2023). *Annual report 2023*. Ankole Coffee Producers Cooperative Union

Licensed Under Creative Commons Attribution (CC BY-NC)

Arneson, H. (2018). Compensation management and employee motivation: A review of contemporary literature. *Journal of Human Resource and Sustainability Studies, 6*(2), 89–101. https://doi.org/10.4236/jhrss.2018.62034

Asaari, M. H. A. H., Desa, N. M., & Subramaniam, L. (2019). *Effect of salary, promotion, and recognition on employee motivation among government trade agency staff in Malaysia*. International Journal of Academic Research in Business and Social Sciences, 9(9), 385–397.

Birdsall, C. (2018). Performance management in public higher education: Unintended consequences and the implications of organizational diversity. *Public Performance & Management Review, 41*(4), 669–695. https://doi.org/10.1080/15309576.2018.1481116

Blau, P. M. (1964). *Exchange and Power in Social Life*. New York: John Wiley & Sons.

Calder, K. E. (2021). *Crisis and compensation: Public policy and political stability in Japan*. Princeton University Press. https://doi.org/10.1515/9780691229478

Chernyak-Hai, L., & Rabenu, E. (2018). The new era workplace relationships: Is social exchange theory still relevant? *Industrial and Organizational Psychology, 11*(3), 456–481. https://doi.org/10.1017/iop.2018.5

Deusdedit, M., Tumwine, S., & Katusiime, P. (2023). *Human resource challenges and employee retention in Ugandan cooperatives*. Journal of African Business Management, 17(2), 45–59.

Ekanem, E., & Osarenmwinde, S. (2025). Employee retention policy as HR best practice and organisation performance. *NIU Journal of Social Sciences, 11*(1), 325–334. https://doi.org/10.58709/niujss.v11i1.2153

Fahim, M. G. A. (2018). Strategic human resource management and public employee retention. *Review of Public Personnel Administration, 38*(2), 167–192. https://doi.org/10.1177/0734371X16660155

Guest, D. E. (2017). Human resource management and employee well-being: Towards a new analytic framework. *Human Resource Management Journal, 27*(1), 22–38. https://doi.org/10.1111/1748-8583.12139

Hill, R. V., Bernard, T., & Dewina, R. (2021). *Institutional effectiveness of agricultural cooperatives in East Africa*. African Journal of Rural Development, 8(3), 112–130.

Homans, G. C. (1958). Social behavior as exchange. *American Journal of Sociology, 63*(6), 597–606. https://doi.org/10.1086/222355

Johara, F., Yahya, S. B., & Tehseen, S. (2018). Employee retention, market orientation, and organizational performance—An empirical study. *International Academic Journal of Business Management, 5*(3), 176–187.

Kang, E., & Lee, H. (2021). Employee compensation strategy as sustainable competitive advantage for HR education practitioners. *Sustainability, 13*(3), 1049. https://doi.org/10.3390/su13031049

Katabalo, R., & Mwita, I. (2024). *Employee motivation and remuneration structures in farmer organizations of Sub-Saharan Africa*. International Journal of Human Resource Studies, 14(1), 89–104.

Keynan, H. A. (2018). *The moderating role of human resource policies on the relationship between compensation and employee performance: A study of public institutions in Wajir County, Kenya*. International Journal of Human Resource Studies, 8(4), 142–158.

Korneeva, E. A., Eremina, Y. V., & Abdulkadyrov, A. M. (2019). *Competitive remuneration and company efficiency: Evidence from Russian industrial sectors*. European Research Studies Journal, 22(3), 112–128.

Korneeva, E. V., Eremina, I. Y., & Abdulkadyrov, A. S. (2021). Competitive salary as a company efficiency factor. In A. V. Bogoviz & J. V. Ragulina (Eds.), *Industry competitiveness: Digitalization, management, and integration* (Vol. 2, pp. 487–494). Springer. https://doi.org/10.1007/978-3-030-80485-5_57

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement, 30*(3), 607–610. https://doi.org/10.1177/001316447003000308

Makinde, T. (2024). *Cooperative marketing and competitiveness in Uganda's coffee sector*. Journal of Agricultural and Food Economics, 15(1), 27–44.

Mone, E. M., & London, M. (2018). *Employee engagement through effective performance management: A practical guide for managers* (2nd ed.). Routledge.

Mudhofar, M. (2021). Performance allowance, motivation, employees' work achievement and organizational performance among government employees. *JKAP (Jurnal Kebijakan dan Administrasi Publik), 25*(1), 74–90. https://doi.org/10.22146/jkap.59680

Mukundane, R. (2019). *The effect of wage levels on employee performance in Kasese District Local Government, Uganda* [Master's thesis, Makerere University]. Makerere University Repository.

Naidu, A. T., & Satyanarayana, G. (2018). Impact of compensation on employee performance. *Intercontinental Journal of Human Resource Research Review, 6*(4), 1–7.

Nalubowa, R., Byamugisha, F., & Mwesigwa, D. (2024). *Institutional performance of coffee cooperative unions in Uganda: A review of market linkage strategies*. African Journal of Agribusiness, 11(1), 55–70.

Namanya, J. (2022). *Human resource management practices and performance of Ankole Coffee Producers Cooperative Union (ACPCU), Uganda*. Makerere Business Journal, 18(2), 100–116.

Licensed Under Creative Commons Attribution (CC BY-NC)

Okeke, M. N., & Ikechukwu, A. N. (2019). *Compensation management and employee performance: The moderating effect of human resource policies in decentralized institutions*. Journal of Business and Management Studies, 7(3), 88–104.

Okoye, V. C. (2022). Compensation and organizational performance: A study of Muoka Foam Lagos. *International Journal of Business Systems and Economics, 13*(5), 225–234.

Olson, E. M., Slater, S. F., Hult, G. T. M., & Olson, K. M. (2018). The application of human resource management policies within the marketing organization: The impact on business and marketing strategy implementation. *Industrial Marketing Management, 69*, 62–73.

Onuegbu, C. (2025). *Wages and organizational performance in selected Nigerian firms: A quantitative analysis*. African Journal of Human Resource Studies, 15(2), 91–107.

Onwuka, E. M., & Onwuchekwa, F. C. (2018). *Compensation management and organizational performance: Evidence from selected pharmaceutical companies in Awka, Nigeria*. International Journal of Business and Management Review, 6(9), 25–40.

Pratama, A. P. D., Hadiwijaya, D., Marzuki, I., & Muljadi, M. (2025). The effect of performance allowances, organizational motivation and organizational culture on employee performance improvement in the University of Muhammadiyah Tangerang. *Eduvest—Journal of Universal Studies, 5*(3), 2959–2978. https://doi.org/10.59188/eduvest.v5i3.1808

Reddy, P. (2020). *Effect of compensation on employee performance: A study of selected organizations in India*. Journal of Human Resource and Sustainability Studies, 8(2), 117–128.

Sawaneh, I. A., & Kamara, F. K. (2019). An effective employee retention policies as a way to boost organizational performance. *Journal of Human Resource Management, 7*(2), 41–48. https://doi.org/10.11648/j.jhrm.20190702.12

Silaban, M., & Syah, T. (2018). *The effect of compensation on turnover intention with organizational commitment as a mediator in Indonesian private firms*. International Journal of Human Resource Studies, 8(3), 174–186.

Stor, M. (2024). Human resource practices and their impact on organizational performance: Integrating theory and practice. *European Journal of Management and Business Economics, 33*(1), 1–14. https://doi.org/10.1108/EJMBE-05-2022-0138

Zafar, F., Sarwar, B., Zafar, S., & Sheeraz, M. (2020). *Compensation practices and job performance: A strategic human resource management approach*. Journal of Human Resource and Sustainability Studies, 8(2), 101–118.

Licensed Under Creative Commons Attribution (CC BY-NC)