POSITION PAPER

Aligning Executive Compensation with Safety Culture

A Position Paper on Incentive Design Using Safety Culture Improvement

July 2026

THE THREE-LEVER MODEL

01
Engagement
Earning workforce participation

02
Activity
Making improvement work visible to the frontline

03
Performance
Measurable culture movement

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SIMPLIFYING HEALTHCARE IMPROVEMENT

Our Position

Health systems want executive compensation tied to safety culture, and they should. What leaders are paid to improve is what organizations prioritize. But culture scores move slowly, exhibit substantial measurement noise, and can be distorted when leadership incentives are tied to them without safeguards. Beterra recommends a three-lever model of Engagement, Activity, and Performance. It pays leaders and executives first for earning workforce participation, then for making improvement work visible to the frontline, and finally for measurable culture movement. Each lever is measured at the appropriate level of program maturity where the data is stable and can be impacted by direct action. The focus and approach shift as the program matures. The design principle throughout: accountability aligns with the leader's span of control, and measurement aligns with the stability of the data.

Why Outcome-Only Models Fail

Paying executives based on a single culture score produces the failure modes high-reliability engineering warns against. It rewards oversimplification: discounting the variation leaders need to see. It penalizes preoccupation with failure: when scores are the payout, rising event reporting looks like a problem rather than the signature of a maturing reporting culture. And it erodes psychological safety: staff recognize when a survey has become a management scoreboard, and candor is the first casualty. How leaders are rewarded shapes behavior at every level of the system.

A credible model pays for the conditions that produce safety before it pays for the scores that reflect it.

The Three Levers

1 Engagement

Systems typically start with low survey participation, which is the right first target. Without robust response rates at the entity and micro-culture levels, survey results fail to provide meaningful insights or a stable basis for tracking changes in perceptions. This metric has headroom, is objectively measured, and can be acted upon by leaders. It is also diagnostic. Participation is a proxy for whether the workforce believes leadership listens, and a facility that cannot reach 60 to 70 percent has yet to build trust with the frontline. Set tiered facility targets (for example, 55/60/70 percent for threshold, target, and stretch) and consider a floor so no major department falls below 40 percent, ensuring the number cannot be reached without broader organizational participation.

2 Activity

The second lever focuses on visible work of improvement, verified by the frontline where possible, rather than on pure documentation. Stagnant action planning forms filled out once and never acted upon or seen by leaders are not a measure of activity but an unhelpful documentation compliance check. Beterra's standard for measuring activity includes the percentage of units with action plans, completion rates, and scoring of action plan strength. Pairing these metrics with leader standard work (such as Leadership Rounding questions on improvement plans) and staff pulse surveys targeted to feedback on these efforts enhances the visibility and meaningfulness of activity metrics. It's important to remember that measuring activity does not mean measuring improvement. Leaders should have the psychological safety to acknowledge when projects have failed, been abandoned, or require significant adaptation.

3 Outcomes

As program maturity increases, the outcome lever can be a powerful way to maintain and grow leadership engagement. A fair standard is to reward high performance and/or significant rates of improvement.

a. Meaningful Improvement Rates: Meaningful improvement rates should be determined by population size, baseline, and the level of program infrastructure and support.
b. Performance against National Standards: For example, performance standards could be met by achieving top-quartile or top-decile performance across facilities.

Anchoring to a single or small set of composites that leadership can influence, such as Communication Openness, Response to Error, Reporting Patient Safety Events, and Management Support for Patient Safety, can ensure the measures directly reflect leadership engagement.

Ensuring Compensation is Linked to Stable Data

Safety Culture composite scores are stable at the facility level, where hundreds or thousands of respondents keep confidence intervals tight and meaningful rates of improvement can be determined. At the unit level, where a med-surg floor may have only twelve respondents, scores swing with turnover and chance. Yet safety culture lives in those micro-cultures, at the sharp end where care is delivered. The model reaches them through activity rather than scores: unit-level improvement cycles are binary and stable (the debrief happened or it did not; the plan closed or it did not), and they roll up to a facility metric.

FACILITY LEVEL

hundreds or thousands of respondents

Scores are stable · measured on Performance & Engagement

Performance | Engagement

UNIT LEVEL · MICRO-CULTURES

only twelve respondents

Scores swing · reached through Activity, rolled up to facility

Activity → facility

Accordingly:

- **Performance** pays at the facility level, under the facility leader, at the altitude where score movement is a signal rather than noise.
- **Activity** pays on unit-level completion, aggregated at the facility level, pushing accountability into micro-cultures without paying on unstable micro-culture scores.
- **Engagement** pays at the facility level with department floors.

A Phased Approach

Crawl		→	Walk		→	Run	
Engagement	50%		Engagement	25%		Engagement	*gate
Activity	50%		Activity	50%		Activity	60%
Performance	0%		Performance	25%		Performance	40%

Lever	Crawl	Walk	Run	Measured at
Engagement	50%	25%	*required gate	Facility, possible dept. floors
Activity	50%	50%	60%	Unit completion → facility
Performance	0%	25%	40%	Meaningful Improvement Rates Facility vs. AHRQ Percentiles

- *New or acquired facilities enter at Year 1 weights, while mature facilities run the later framework. The architecture scales without redesign.*
- *Organizations new to this type of compensation or just initiating true leadership ownership of safety culture may begin with very simple engagement and/or activity goals.*

Guardrails: Defense in Depth for the Incentive Itself

Human factors engineering treats every control as fallible and layers defenses accordingly. The same discipline applies to an incentive that touches safety data:

1. Keep the safety culture component at or below 20 percent of the at-risk pool: enough to signal that it is real, not enough to distort behavior.
2. In mature years, engagement becomes a gate. A facility whose response rate falls below the threshold cannot collect on improved scores drawn from a self-selected minority of staff. This closes the model's primary gaming pathway.
3. Third-party administration with strict anonymity; evidence of response coaching voids the metric for that entity. This protects the reporting culture on which the instrument depends.
4. Define real change in advance based on population size, program maturity, and/or statistical significance.
5. The compensation committee retains qualitative override authority, consistent with just culture principles. Large external impacts, such as state-wide staffing shortages, can reduce the credibility of the program without this
6. Introducing executive compensation for safety culture engagement, activity, and performance is a long-term approach and should not be rapidly added to and removed from compensation programs.

THE BOTTOM LINE

Executive incentives can strengthen or erode safety culture. The difference is design. Pay first for participation, then for improvement work verified by the frontline, and only then for outcomes, measured where the data is stable and credible. Built this way, the incentive itself operates like a high-reliability system: sensitive to operations and preoccupied with the failure modes of its own measurement.

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We help provider organizations collect, analyze, and use staff feedback, safety, quality, and process improvement data, turning it into something healthcare has long needed: reliable, actionable improvement.

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