

16.402-4 Structuring multiple-incentive contracts.

A properly structured multiple-incentive arrangement *should*-

- (a) Motivate the contractor to strive for outstanding results in all incentive areas; and
- (b) Compel trade-off decisions among the incentive areas, consistent with the Government's overall objectives for the *acquisition*. Because of the interdependency of the Government's cost, the technical performance, and the delivery goals, a contract that emphasizes only one of the goals *may* jeopardize control over the others. Because outstanding results *may* not be attainable for each of the incentive areas, all multiple-incentive contracts *must* include a cost incentive (or constraint) that operates to preclude rewarding a contractor for superior technical performance or delivery results when the cost of those results outweighs their value to the Government.

Parent topic: 16.402 Application of predetermined, formula-type incentives.