

Open Book Versus Closed Book



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The old adage, "What you don't know won't hurt you," doesn't apply to design and construction. It seems that some of the Architect/General Contractor systems, by using a "Closed Book," have come to embrace this adage. In a closed book system, companies can be tempted to conceal, withhold, and outright prevent churches from knowing "The Whole Truth and Nothing but the Truth." A closed book system makes it possible to bury, hide, and spread markup and overhead out over material costs or other operational areas of the project. When this is done, the church has no way of knowing what the company's markup and overhead actually are. Usually the quoted markups and overhead are low simply because the church will never "see" what they actually are. This will make the company using a closed book system look as if their fees are cheaper, especially when they are up against a company that is using an open book system where every penny including fees is accounted for.

A closed book system also allows the General Contractor to use the Owner's money to pay labor and materials costs on other jobs. This has created many problems for churches. For the purpose of brevity I will mention only two, the first being the possibility of liens placed against your facility by Prime Trade Contractors and/or Suppliers. Secondly, because of the potential of liens, banks often require a bond to be in place. This will usually cost the Owner another 2% to 3% on top of the construction cost.

There will never be any good that comes from someone withholding information from someone else. Secrecy conceals agendas, and someday it will come back to harm those that are engaged in such activity. Jesus said, "For there is nothing covered that will not be revealed, nor hidden that will not be known. Therefore whatever you have spoken in the dark will be heard in the light, and what you have spoken in the ear in inner rooms will be proclaimed on the housetops." When applied to the closed book system, the "light that will reveal what was hidden" is analogous to the Final Construction Cost, in that hidden costs cannot remain hidden forever and eventually the actual costs will be revealed.

You would think that an Open Book System would be a "breath of fresh air" for a church wanting to build a new facility. After all, being able to see all of the actual costs of your project sounds good and makes sense. But remember, over and over again throughout Biblical, American, and World history the following statement has rung true: "Man can command a high price for a lie, and people will embrace it and make it into a tradition. On the other hand, the Truth can't be given away for free, and it will be suspected,

doubted daily, criticized, rejected, and crucified." It is sad, but in my experience I have found that this saying sometimes holds true even for churches.

Let me explain what happens in an Open Book System. First, the fees associated with a firm that is open book will seem higher than their competitors even though more often than not the fees will be equal to or in some cases less than the fees of a company using a closed book system. The reason for this is that Design and Construction fees can't be buried in an open book system, because the company using an "Open Book" system is accountable for every penny of the Owner's money. The representatives for an Open Book System can struggle during the interviewing process because most people are not familiar with the construction industry and, therefore, do not understand how fees are determined, calculated and, in some cases, hidden. Most of us want to believe that the people we deal with are honest and forthright, but this is not always the case. Consequently, when introducing an open book system, we are not just trying to change people's minds, but we are trying to change a tradition of thinking that has dominated the industry for decades. Simply put . . . in an open book system, the more people know, the better it is for the owners, whereas in a closed book system, the less people know, the better it is for the company.

In an Open Book System the firm's contract should explain in great detail all expenses, even as small as reimbursable expenses such as phone calls, faxes, and reprinted materials. Some churches when reviewing these types of contracts feel like they are going to be nickel and dimed to death, but the truth is these "open book" firms are required to be accountable with the church's money down to the penny.

Much more could be said about the differences between the open book and closed book systems, but the long and short of it is, as leaders of a building project, it will be imperative that you pray for wisdom and that God will open your eyes to the company that He would have you to team up with on your building project. Trust that God will reveal to you the direction your church must take and then be prepared to do battle, especially when you seek God's will in selecting a firm. Understand, the enemy will attack not only you and your ministry, but also the firm you have hired.

