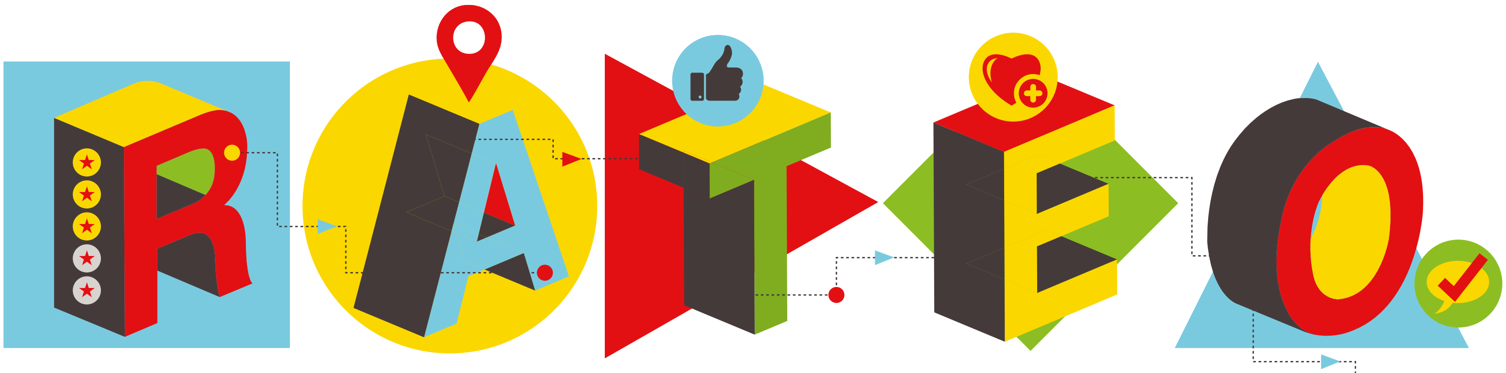


The rise of ratings means everyone will be both watcher and watched, bringing huge changes for business, individuals and society, says Brunswick's ROBERT MORAN

We are moving toward a world where the actions of companies, professionals, politicians and even private individuals will be judged and influenced by popular opinion exercised through ratings systems.

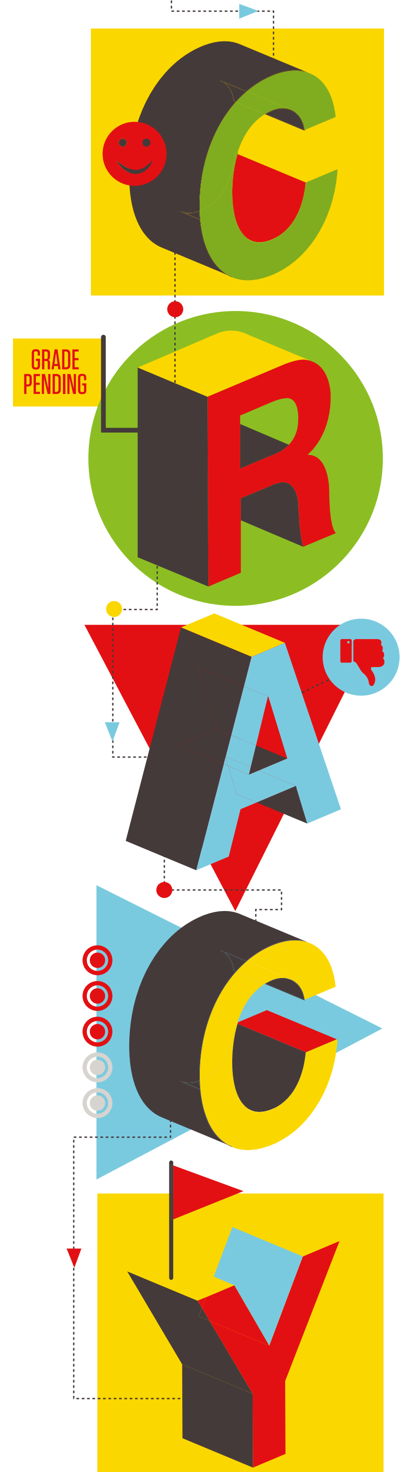
We will all live in a rateocracy, whether we choose to engage in it or not.

By the end of the next decade virtually every person, place and thing will have a real-time, searchable and trackable rating available to anyone with a smartphone or the device that replaces it. Businesses will be forced to respond to real-time reputation ratings that reflect customer and stakeholder sentiment. Over time these ratings will be reported alongside share price and other metrics.

If this sounds farfetched, consider that today consumers rate restaurants on Yelp, home remodeling companies on Angie's List, sellers on eBay and content on Facebook. College students rate their instructors at *ratemyprofessors.com* and employees rate their companies and CEOs on Glassdoor.

Ubiquitous smartphones, coupled with image recognition programs for faces, products and places, cheap computing power and widespread, easy connectivity, will ensure that rateocracy is technologically possible. The social desire for more checks on business and government will supply the pressure to make it probable.

For the individual, rateocracy will mark a shift from the anonymity of urban life back to the intimacy of the small town. Rateocracy will feel like a combination of the "digital village" and an ongoing 360-degree review.



Most technologists and social commentators have focused on technology-enabled surveillance – how institutions monitor the individual, like Big Brother in George Orwell's *1984*. They will be surprised when the real story isn't surveillance, but "coveillance" (peer-to-peer monitoring) and "sousveillance" (the public monitoring the powerful from below). The so-called "human flesh search engine" in China, a movement toward holding government officials and misbehaving citizens accountable through distributed, crowd-based research and tracking, is just one early example. The trend will grow, replacing the old paradigm of the "panopticon," in which there is a central watcher and many watched, with an organic system in which everyone is simultaneously watcher and watched.

Rateocracy will evolve in at least one of three possible ways. The first, already evident, is that the rateocracy grows niche by niche with customized rating systems in each field of human endeavor and for different types of professionals, products and places. In the second case, a "middleware" function will tie all of these disparate rate streams into one, searchable, coherent whole. The third is the creation of one, universally acknowledged ratings platform. This has been explored in great detail by novelists Cory Doctorow (*Down and Out in the Magic Kingdom*) and Gary Shteyngart (*Super Sad True Love Story*). In both cases, the authors anticipate ratings systems leading to forms of reputational currency. Startup lab Milk created such an app in 2011. It only lasted five months, but more attempts are sure to follow. (Milk was acquired by Google in 2012.)

As companies manage their employees according to rankings, one possible downside could be the damping of creative talent. Creative personalities often find it more difficult to win the approval of the majority, and thus it could be harder for them to earn a high ranking. Rateocracy might subtly favor the "company man" over the visionary with a few rough edges, inoffensive conformity over creative disruption.

Corporate transparency is already a buzzword in business, and the rise of the rateocracy will dramatically accelerate that trend, for better or worse, giving businesses looking to protect and maintain their reputations no alternative other than openness and accountability.

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ILLUSTRATION: NEIL STEVENS

HOW TO SCORE HIGHLY IN A RATEOCRACY

Businesses will find it impossible to ignore the growing rateocracy. A study by Michael Luca at Harvard Business School found a one-star increase in ratings on Yelp translates to an increase of between 5 and 9 percent in revenue. To be competitive, corporations, leaders, managers and employees must find a way to embrace extreme transparency.

POWER SHIFT
Rateocracy will shift power from corporations to customers, suppliers and employees. Corporations will control less of their reputation and will need more consistent engagement with their stakeholders, especially their customers.

OPEN LEADERSHIP
CEOs in the era of rateocracy will have nowhere to hide. It will become increasingly difficult to avoid questions about sagging customer service or a questionable supply chain. In this era of extreme transparency the CEO must provide strong leadership around the company's values and be comfortable addressing persistent issues.

REPUTATION MANAGEMENT
By necessity, corporations will build advanced listening and response functions to protect their reputations and correct factual errors. These functions will focus on identifying lower-than-expected ratings and working to limit the damage.

LEARNING ORGANIZATION
As we enter the era of rateocracy, we will receive more feedback than ever on the day-to-day perceptions of corporate performance. Those companies able to direct this data into the tightest possible feedback loop will outperform their peers, learning faster from corporate and employee ratings and using that knowledge to build greater success. Beware overreacting, and maintain a big-picture perspective.

EMPLOYEE WINDOW
Glassdoor is a first taste of the importance of employee ratings in this new era. Everyone, customers and even analysts, will have access to ratings of companies by employees. These ratings will operate as a public proxy, a measure of the health of a business.