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# Beyond ESG

From checklists to capabilities

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# At a glance

- **After a decade of expansion, ESG as a framework to measure a company’s societal impact is undergoing a rethink.** At the median, large companies manage 100 environmental, social, and governance (ESG) KPIs. Today, the rapid proliferation of ESG metrics and ongoing disagreements about prioritization—both within companies and in public discourse—have made knowing where business and societal goals do and don’t align difficult. This paper takes neither a positive nor a negative view of ESG but instead offers a fact base to support institutions evaluating business opportunities that advance societal goals.
- **ESG compliance can prevent societal harm, but historically, companies have had societal impact through targeted innovation.** Many issues related to health, infrastructure, and the environment have been solved as incomes increased. In other cases, an iterative dynamic of innovation and targeted policy adjustment accelerated change, from phasing out chlorofluorocarbons to, more recently, accelerating safe blood delivery for maternal and neonatal care.
- **A narrow focus with the right collaboration and time frames can enable companies to meet business and societal goals.** A typical corporation can make a real difference on just one to three of 18 societal issues we analyzed. Going beyond a checklist approach, large companies can pursue a “horses for courses” strategy that deploys their specialized ability to innovate and scale solutions. Business opportunities for this approach exist today and can also be created through coalitions that help overcome market failures and long time horizons.
- **Fully addressing each issue also requires society to prioritize, given the high costs.** To accelerate resolution of the 18 issues we analyzed to the level achieved by the countries that have made the most progress on them would require annual expenditures of \$6 trillion in total. Economic benefits would more than offset that cost across all these issues—but over decades in most cases. Assessing cost-effectiveness and impact can help society prioritize and balance intervention to drive progress with current use of resources and cost of change.

# Executive summary

**ESG, the catch-all acronym** for corporate efforts to address environmental, social, and governance issues, is undergoing a rethink, particularly in the United States.

Over the past decade, ESG has expanded as a framework to measure a company's societal impact. Corporate risks linked to society's biggest issues, such as climate change, inequality, and public health, persuaded investors that addressing these issues was good business. For instance, bolstering a supply chain against the shifting impact of the increasing global temperature protects the bottom line, and healthier employees improve productivity.

This shift led to a proliferation of metrics to measure company impact beyond revenues and profits.<sup>1</sup> In the process, ESG moved from the margins into the mainstream, and investors, employees, regulators, and the public increasingly expected companies to take responsibility for reducing and resolving big societal challenges.<sup>2</sup>

## The numbers tell the story

Among 89 large companies, the median number of ESG-related KPIs that a C-suite monitors is 100, a 30 percent increase compared to 2018. Media mentions of ESG soared—from 5,000 in 2014 to over 300,000 in 2024 (Exhibit E1). ESG reporting and compliance have increased transparency on issues like emissions and inclusive economic growth, preventing societal harms and showing that companies can and do make a positive difference.<sup>3</sup>

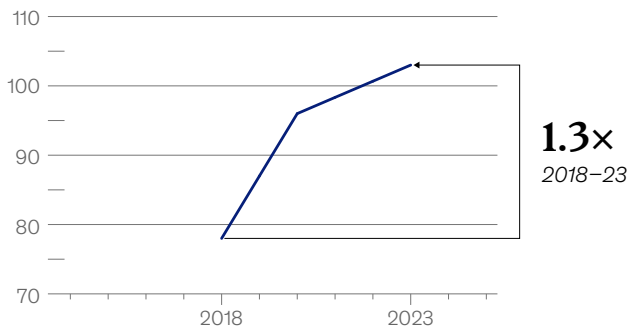
Yet, the rapid proliferation of ESG checklists has crowded CEO agendas, leading to ESG fatigue.<sup>4</sup> Media mentions have ticked down in 2024 and 2025, and in the United States, shareholder proposals related to ESG declined in 2025 compared to 2024. Companies are increasingly pulled in opposite directions by differing cultural and regulatory expectations across countries. In the European Union, the regulatory requirements of the Corporate Sustainability Reporting Directive went into effect in 2025, while the United States is moving toward less reporting.<sup>5</sup> Events such as the conflicts in Ukraine and the Middle East and an emerging rearrangement of global trade have shifted public attention to energy security and affordability, amplifying these complications.

Fundamentally, a compliance-based approach does little to help companies set strategic priorities and align their unique capabilities with societal needs in a way that's consistent with their business goals. Thus, we're at an inflection point: Societal challenges are not going away, and the way companies engage with them must evolve.

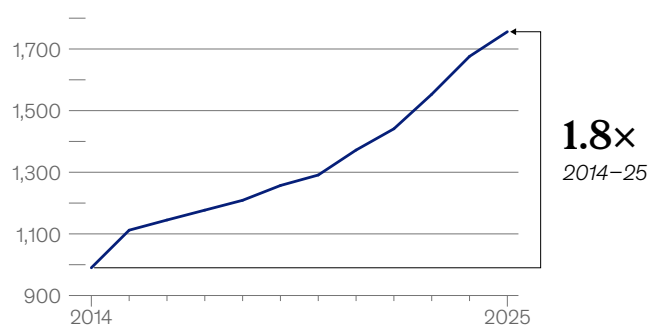
In this report, we take neither a positive nor a negative view of ESG, instead offering a fact base to support companies and other organizations in evaluating business opportunities that advance societal goals if they have an interest in doing so. Specifically, it examines where corporate capabilities could deliver outsize impact and identifies the market contexts needed to enable a business case across a diverse set of societal issues. A clearer, capabilities-based approach can help business leaders interested in addressing societal issues set strategy and sharpen societal choices about the use of public resources.

## Attention to ESG has increased significantly in the last decade.

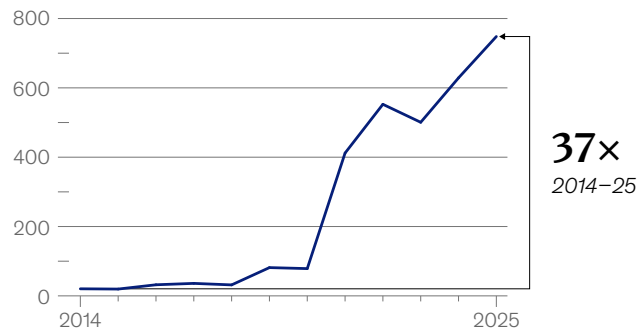
**Number of ESG-related KPIs tracked by companies, median<sup>1</sup>**



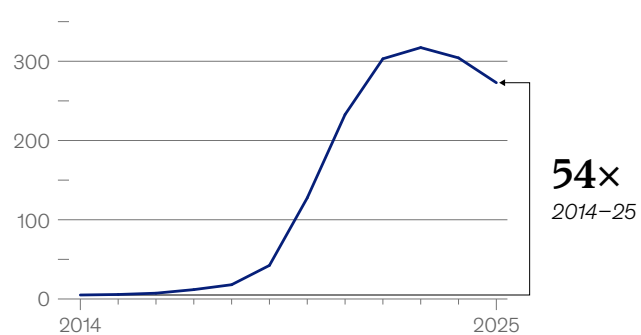
**Number of mandatory ESG regulations globally**



**Venture capital and private equity investment in ESG measurement businesses, \$ million**



**Number of ESG media mentions, thousand**



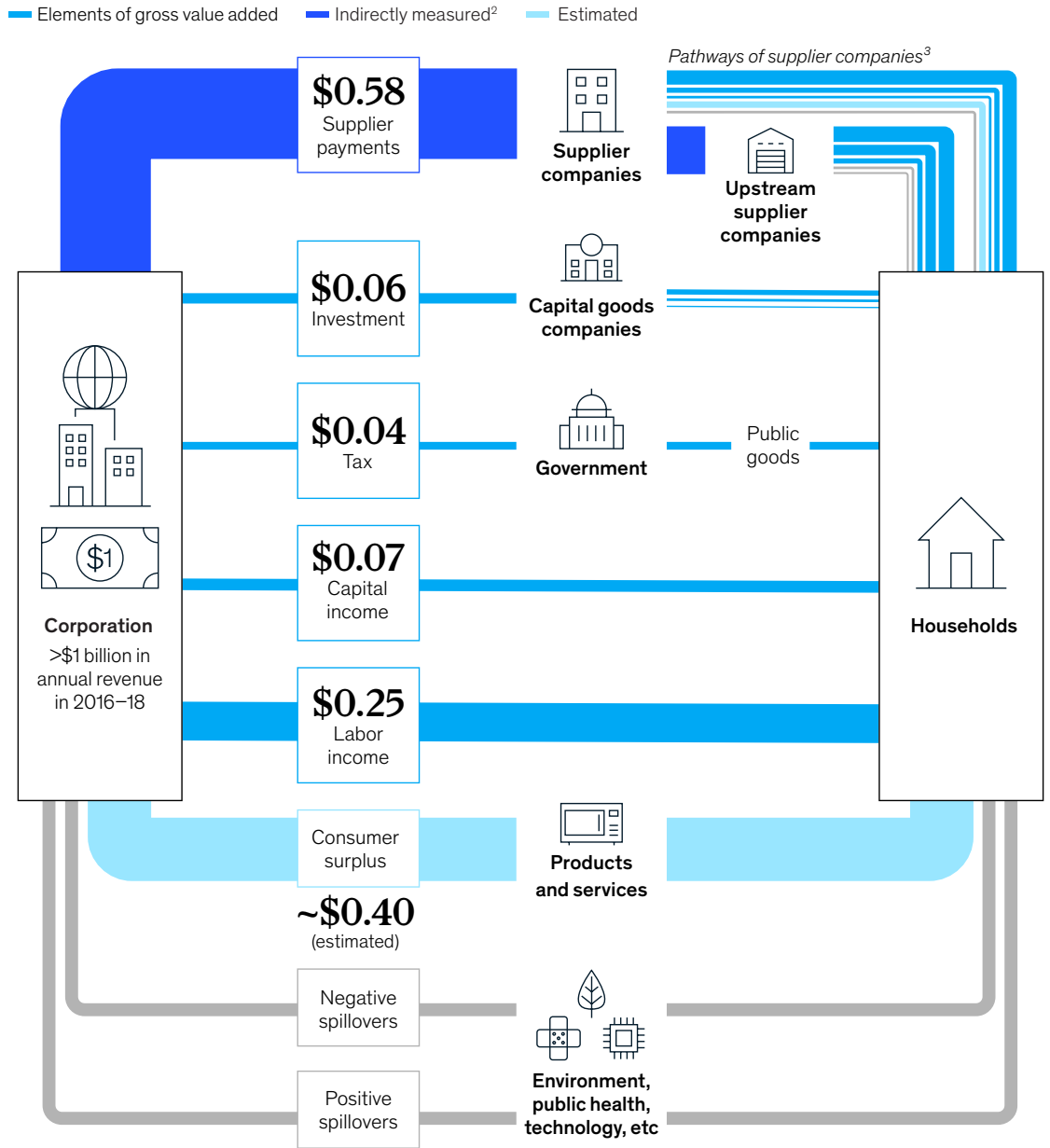
<sup>1</sup>Analysis starts in 2018 for ESG-related KPIs tracked by companies, due to data availability. Data for the number of mandatory ESG regulations is reported as of August 2025; investments and media mentions for 2025 are annualized, obtained by extrapolating figures from January to July. Source: Krueger, P., Z. Sautner, D. Tang, and R. Zhong, 2023, Data for "Mandatory ESG Disclosure Policies Around the World"; Pitchbook; Factiva; 2025 ESG Book Reporting Exchange; 2024 UN Principles for Responsible Investment; ESG Regulation Database; McKinsey Global Institute analysis

## **Companies have an impact on society through products, incomes of company stakeholders, and ‘spillovers’ to the rest of society**

To be sure, companies make their biggest contributions to society by delivering better products and services and supporting lives and livelihoods. In previous research, we analyzed how companies create and distribute value among employees, suppliers, shareholders, governments (via taxes), and customers.<sup>6</sup> This work shows how the bulk of a typical large company’s value goes to consumers in the form of consumer surplus, as well as to employees and suppliers as income, specifically \$0.83 of every \$1 of revenue (Exhibit E2). Productivity growth and benefits to stakeholders like workers, shareholders, suppliers, and customers can go hand in hand. Optimizing such “win–wins” on issues relating to these stakeholders is not always easy and goes beyond financial flows, but doing so and upholding standards that maintain a social license to operate are important parts of creating long-term value for a company.<sup>7</sup>

## Corporate economic gains flow to households via eight pathways.

Value flow for every \$ of corporate revenue, for average corporation with >\$1 billion in revenue<sup>1</sup>



<sup>1</sup>Revenue-weighted average of companies with >\$1 billion in annual revenue, based in OECD countries, 2016–18 averages.

<sup>2</sup>Supplier payments do not flow directly to households but rather via the pathways of supplier companies. This is true even when the large corporation on the left is itself a supplier; in that case, some of the consumer surplus is also transmitted via downstream companies.

<sup>3</sup>Pathways refer to the channels through which value generated by companies from sales flows directly or indirectly to households. The pathways are labor income (wages and benefits), capital income (dividends, share buybacks, and interest), taxes (corporate income and production process taxes), investment (money retained from profits and spent on capital assets to drive future value creation), and payments to suppliers (for goods like inventory and contracted services used in production). We also include consumer surplus (imputed value greater than price) but can only estimate it broadly, and two spillover examples (impact on the environment and growth of total factor productivity) which we analyze but do not measure in aggregate dollar terms in this research.

Source: MGI Companies and Economy data set; McKinsey Global Institute analysis

But companies also affect people who are not direct stakeholders. These societal spillovers include positive externalities, such as productivity growth, technology diffusion, or improved access to services, and negative ones, like pollution, biodiversity loss, or underprovision of public goods.

The negative ones often arise when markets fail in one of two ways:

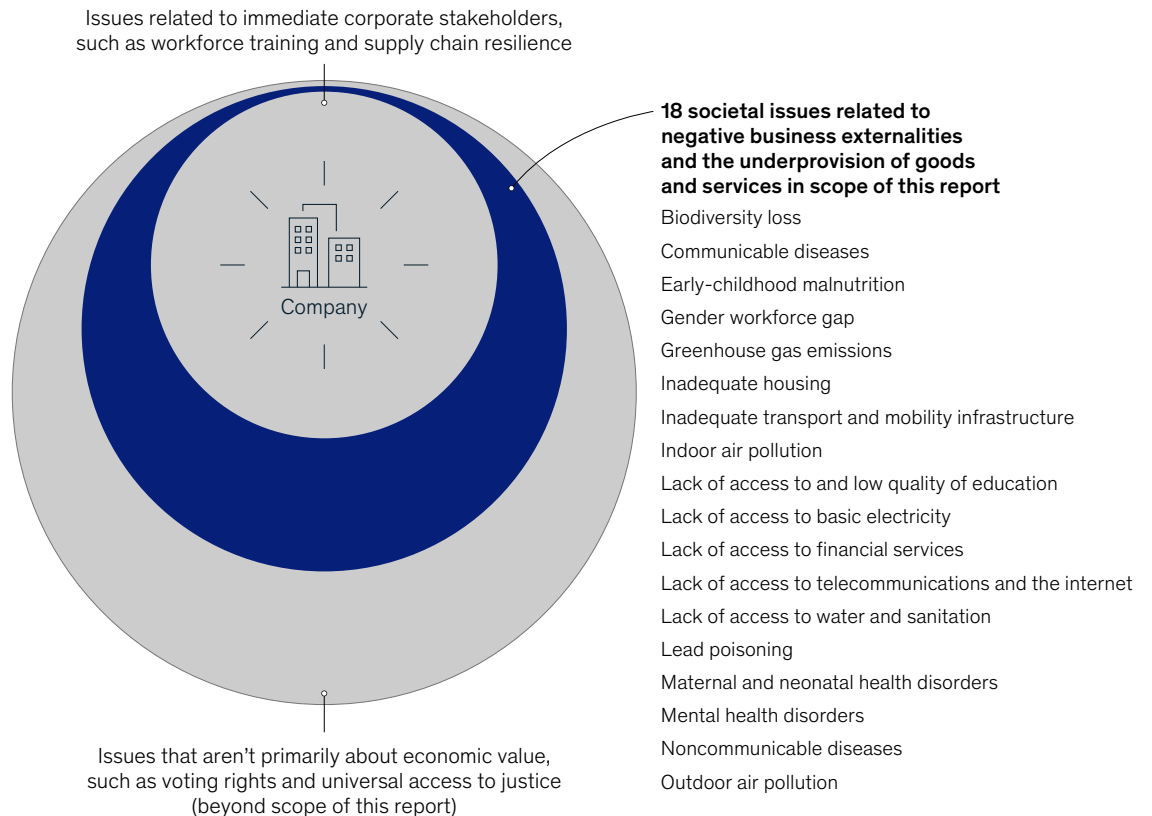
- **Underprovision.** Goods or services that create significant social value, such as basic healthcare, sanitation, education, nutrition, or electricity, are not delivered at sufficient scale or quality.<sup>8</sup>
- **Negative externalities.** The environmental or health costs of companies' products or operations aren't reflected in prices or absorbed by the producer, as in the case of pollution and damage to biodiversity.

Addressing underprovision and externalities is the focus of this research.<sup>9</sup> In the same way our prior work quantified the flow of value to different direct company stakeholders, this report uses a representative set of 18 environmental and societal issues to illustrate where companies can make a difference and quantify potential impact if they choose to act—or should society choose to tweak markets and incentives to create a business case for doing so (Exhibit E3).

Exhibit E3

## This research examines societal issues beyond those involving immediate corporate stakeholders.

### Categories of societal issues that companies could consider



Source: McKinsey Global Institute analysis

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Progress on many of these societal issues occurs as economic development increases the purchasing power of households and governments, highlighting the indirect impact companies have on societal issues via their contributions to productivity growth and incomes through business as usual.<sup>10</sup>

However, the prevalence of an issue can also vary significantly across countries in the same per capita income group. For example, infant mortality rates are, on average, higher in countries with lower income levels. Yet there are lower-middle-income countries with infant mortality rates up to 70 deaths per 1,000 live births, which is significantly higher than the average for low-income countries.<sup>11</sup> In short, economic development matters a lot, but it is not the only factor driving progress on societal issues. The variation can have many structural causes but it also indicates latitude for companies and society to accelerate progress beyond what they contribute to economic growth in the normal course of business.

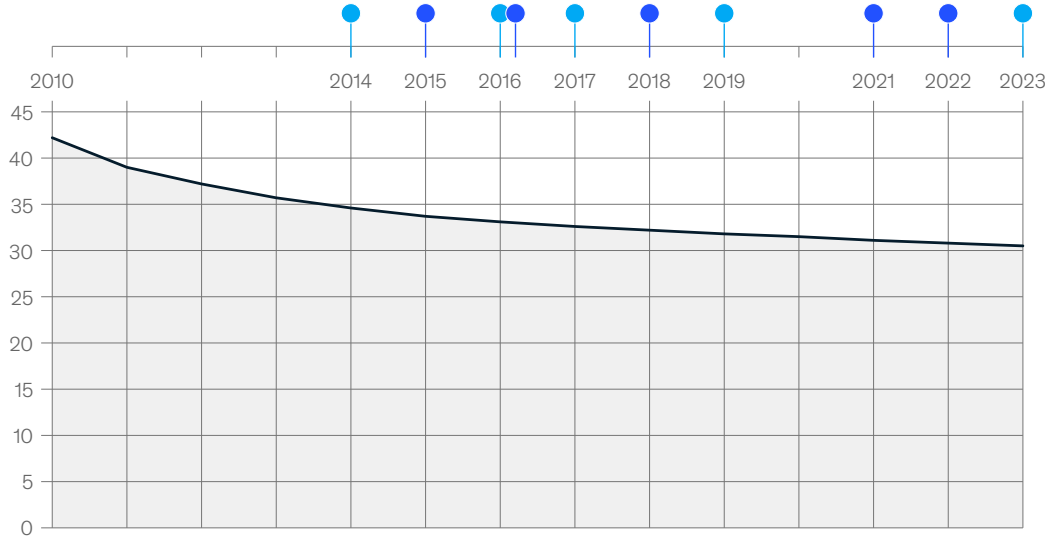
Historical examples reveal important company roles that are often overlooked, such as developing new technologies and business models that change the game. For example, unleaded gasoline, seat belts, and ozone-safe products all involved an iterative process of innovation and policy adjustments that aligned company capabilities with societal goals over a sustained period, though not always in a straight line.<sup>12</sup>

Companies can find overlooked business opportunities in addressing such issues or can invest in ways that could make solutions to them cost competitive. Accelerated progress comes when innovation and policy adjustments work in tandem. For example, the development of drone delivery of blood to support maternal health in Rwanda was a sequence of company and government actions, including innovation, permitting, piloting, scaling of flight corridors, improved distribution, and expansion of products (Exhibit E4).

## Commercial innovation and policy support for medical drone deliveries have contributed to improving maternal and neonatal health.

### Timeline of logistics company Zipline’s medical blood delivery operation in Rwanda

Years when: ● Business-led innovations occurred ● Policy interventions occurred



Rwanda's rate of infant deaths per 1,000 live births

- 2014: Zipline’s founders believe their long-range, fixed-wing drones could address Rwanda’s acute need for rapid blood transfusions to treat postpartum hemorrhage, severe childhood anemia, and other health issues needing fast response. They approach the Rwandan government for permission to test the plan.
- 2015: Rwanda’s Ministry of Health grants permission for a pilot program to deliver blood by drone.
- 2016: The first area of operations goes live. Zipline delivers blood to Kabgayi Hospital in 15 minutes, compared with 3 to 4 hours by road. Seven hospitals join the program within months.
- 2016: Ministry of Health starts paying for Zipline deliveries.
- 2017: Scaling slows down as high costs and regulatory prohibitions on drone flights at night limit Zipline’s ability to reach more hospitals. In parallel, B Medical Systems deploys solar-powered vaccine fridges in rural Rwanda, enabling last-mile health centers to safely store vaccines and expanding immunization reach.
- 2018: The Rwandan government approves uncrewed aerial vehicle (UAV) flight corridors for autonomous flying and signs a national service contract with Zipline. Gavi and UPS provide money to develop a village-level vaccine network.
- 2019: A distribution hub is built in Kayanza. Zipline’s drones can now cover two-thirds of the country and deliver more than three-quarters of all the blood needed outside Kigali, typically within 15 minutes.
- 2021: The Rwandan government approves UAV night flight corridors.
- 2022: The Rwandan government agrees to guarantee shipment volumes to 2029, ensuring a market for Zipline’s drone services.
- 2023: A vaccine pilot at the village level demonstrates lower costs can be achieved. With Gavi and UPS backing, Zipline affirms that its drones have dropped 76,000 vaccine doses in 119 rural posts, fully immunizing roughly 6,000 children for just \$0.24 per dose—about 85 percent cheaper than using the motorbike cold chain that prevailed before drones were used.

Source: Zipline; Globe Newswire; FII Institute; Reach Alliance; World Bank; McKinsey Global Institute analysis

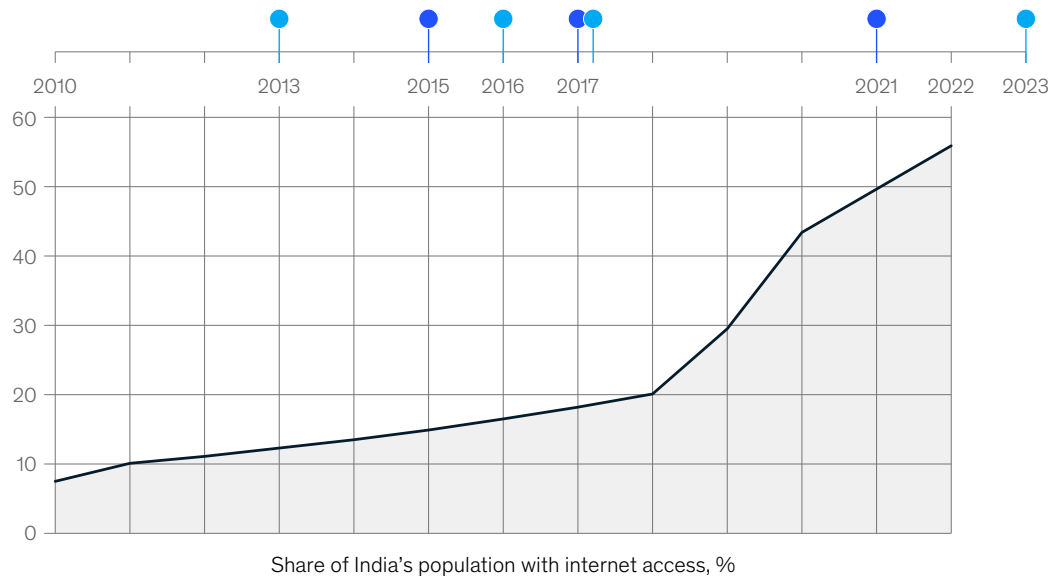
Similarly, expanding internet access rapidly in India was spurred by a dynamic iteration of improved technology from private sector companies like Reliance Jio and government policy, resulting in a low-cost option that delivered access to hundreds of millions of residents. The story also involved refining regulation over ten years, including building out a core 4G infrastructure, then a next-generation technology, and reducing transaction costs (Exhibit E5). Competitors responded with lower prices and scaling solutions.

Exhibit E5

## A combination of steps by Reliance Jio and policymakers contributed to increasing internet access and connectivity in India.

### Timeline of telecommunications company Reliance Jio's operation in India

Years when: ● Business-led innovations occurred ● Policy interventions occurred



- 2013: Reliance Jio begins 4G rollout infrastructure deployment under a strategy to deliver 4G services at reduced prices.
- 2015: India launches Digital India initiative to improve online infrastructure and increase internet accessibility in India, with multiple programs including BharatNet, a program to build infrastructure to connect 250,000 villages with at least 50 megabits per second and open the infrastructure to businesses.
- 2016: Jio goes live nationwide, offering six months of free 4G data and voice services. One hundred million users join over 170 days, driving down users' price of service by roughly 90 percent.
- 2017: The Indian government reduces intercompany charges for interconnections, which reduces the price of mobile plans even more.
- 2017: Jio introduces the JioPhone at a price of \$20. Customers buy more than 80 million units, which deliver internet access to tens of millions of first-time users.
- 2021: The Indian government abolishes interconnection charges, further reducing costs for companies and consumers.
- 2023: JioPhone Next, built with Google and costing less than \$50, targets an additional 500 million users. Jio also launches a \$12 version.

Source: World Bank; The Economic Times; Reliance Industries Limited; The Economist; McKinsey Global Institute analysis

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## **A narrow focus with the right collaboration and time frames can enable companies to meet business and societal goals**

Companies may have difficulty finding business opportunities that align with solutions to societal issues, however, due to several common factors. For example, overextension occurs when companies take on too many issues, diluting their impact at best and confusing their strategy at worst. Finding effective solutions to obstacles may require collaboration with other organizations and institutions, which can be hard to achieve and is not always well executed or sustained. And corporate expectations for returns can be quite short, limiting investment in opportunities with business and societal rewards that often materialize only over a long period, given the additional orchestration needed.

Additionally, not all companies can address all societal issues. Criteria related to capabilities and incentives determine whether and how a business can play a role:

- **Capabilities fit.** Can a company's existing products, services, or supply chains be directed to resolving a specific issue? Does the company have the necessary R&D, distribution, or operations infrastructure (or potential) to create or deliver solutions at scale?
- **Economic viability.** Is there a market-based pathway to delivery, or available philanthropic or public funding? Many underprovision issues exist in contexts where end users cannot pay directly, which can make business involvement dependent on third-party support.
- **Regulatory and political environment.** Beyond funding, what policies, standards, or incentives, if any, enable (or block) business participation? Some issues require policy clarity, streamlined permitting, or cross-sector coordination.

Companies that meet the first criterion but face challenges in meeting the second two often encounter obstacles and need narrower focus, better collaboration, and longer time frames to move forward. Conversely, when all three factors align, business-led solutions can flourish rapidly, as the Zipline and Jio examples illustrate.

Such alignment underpins an approach we call “horses for courses” because it defines where and how companies—the horses—can best bring to bear their individual innovation and scaling capabilities if matched to the right issue, or course.<sup>13</sup> This approach works like any other business opportunity but may require longer time horizons or plugging into coalitions of other businesses, nonprofits, philanthropy, and government when the questions of who pays and who delivers are more challenging than business as usual. What governments decide to prioritize is a separate decision and may depend on many local factors and trade-offs. We focus on the role of large companies (those with annual revenues exceeding \$1 billion) because they have outsize impact when it comes to innovation, scaling, convening, and setting norms for the business community more broadly—the very capabilities that propel them into society's spotlight.

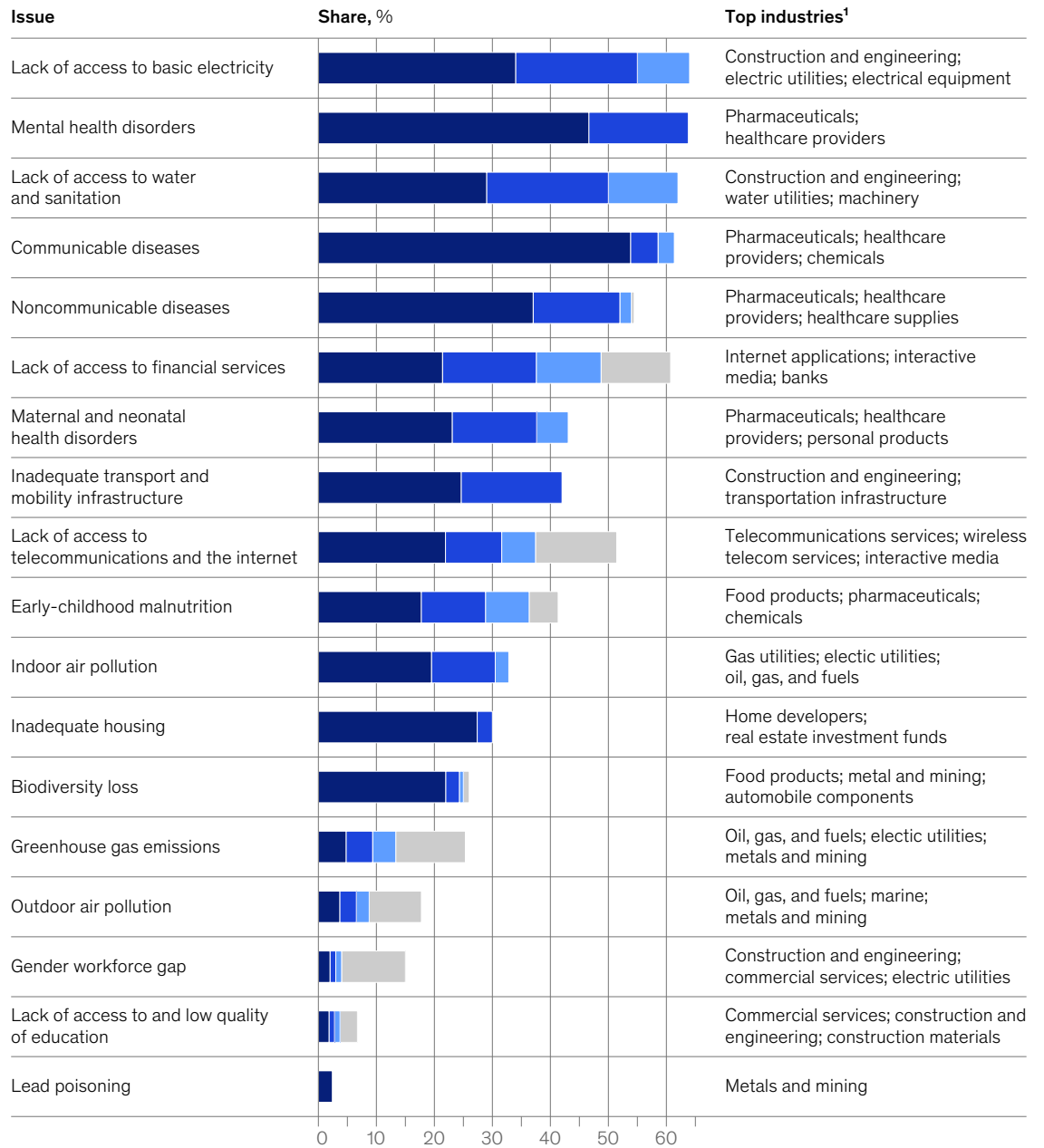
Based on existing research, we analyzed the value chains associated with each of the 18 societal issues in this study. To estimate the degree to which companies and industries could help accelerate progress on underprovision issues, we assessed their share of the value added of required interventions that would provide more of the needed goods and services. For negative environmental externalities such as emissions, we assessed their share of contribution to those externalities. By those measures, we find that large companies today account for about 30 percent of the value at stake in accelerating progress across the 18 issues, which is roughly equal to their share of global GDP.

Using this analysis as a proxy for which companies can best accelerate progress across these issues, we find that each company or industry has the capabilities to move the needle on innovation and scaling for only a handful of issues. Ten out of 69 industries we analyzed have capabilities that make them leading candidates to accelerate progress on four or more of the 18 issues, and 41 industries have capabilities that could address one to three issues (Exhibit E6). While our list of issues isn't comprehensive, given the low share of issues relevant to each industry, combined with challenges arising from the market contexts in which these issues occur, it makes sense for companies to choose societal issues by focusing narrowly and in a sustained manner.

## Relatively few industries can contribute significantly to resolving each issue.

### 3 industries with the greatest share of large-company potential to resolve each issue

Industry with: ■ Largest potential ■ 2nd largest ■ 3rd largest ■ Large companies outside top 3 industries



<sup>1</sup>To avoid double counting, only the most relevant step in the value chain was used to determine the top industries that could contribute to resolving an issue. Thus, downstream or upstream industries are not considered in this analysis but still have a vital role to play.  
Source: McKinsey Global Institute analysis

The flip side of focusing on a few issues is that impact can be large relative to an industry's current market size. For example, healthcare providers generate just 4 percent of revenues across large companies overall, but they could account for 35 percent of the progress to improve maternal and neonatal health, 25 percent to reduce noncommunicable diseases, 25 percent to improve mental health, and 8 percent to reduce communicable diseases.<sup>14</sup>

These impacts can also be large relative to an industry's size in dollar terms. Take noncommunicable diseases: Accelerating progress would require about \$1 trillion in additional spending on top of the recent historical rate, roughly two-thirds of which is linked to pharmaceutical interventions.<sup>15</sup> Absent any obstacles to company action, this represents a business opportunity equal to about 40 percent of the current revenues of large pharmaceutical companies.

Conversely, accelerating progress on transportation infrastructure would require about \$70 billion in additional annual investment, with about 25 percent of the investments potentially going to construction and engineering firms. This is equal to 1 percent of current revenues for large companies in the construction and engineering sector. While this percentage is modest in the context of overall industry revenues, it could represent significant opportunities for individual companies operating in or expanding into these markets.

By contrast, some industries don't have a prominent role to play in solving any issue we studied but make their primary impact in other ways. For example, the semiconductor industry is one of the most important contributors to global productivity growth and thus to economic development and acceleration of progress on the societal issues we studied.<sup>16</sup> Industries can also play critical roles as suppliers, distributors, financiers, and influencers, particularly in resolving intermediation challenges and other market obstacles. For example, large companies are not currently the main source of products with lead, so opportunities for them to address lead appear limited. However, through orchestration and intermediation in low- and middle-income contexts, large companies might sell unleaded alternatives or testing technology, convene actors in fragmented supply chains to monitor product safety, and raise public health awareness through their marketing and employees.

### **An economy-level view of cost, scale, and time horizon can frame societal choices**

We find that accelerating progress on the 18 issues we analyzed to the level achieved in the countries that have made the most progress in reducing them would require annual expenditures of \$6 trillion in total, or three times the total profits of Fortune Global 500 companies in 2024—an insurmountable hurdle without a decision by society to allocate public funding or other resources.<sup>17</sup> Economic benefits would more than offset that cost across all these issues, so in principle, addressing them could pay off—but often only over decades.

The combination of high costs and long time horizons will require society to balance intervention against the current use of resources and costs of change. Furthermore, the scale and wide variation of obstacles across interventions, even within issues, means that cost-effectiveness from a societal perspective would benefit significantly from granular prioritization. As a starting point, we collected estimates of the benefit-to-cost ratios (BCRs) of each issue from existing research. This identified the wide range of potential returns across issues: For example, the BCR typically is roughly two times investment for upgrading transportation infrastructure and between ten and nearly 40 times for reducing early-childhood malnutrition.

While BCRs provide a broad view of overall cost-effectiveness, more granular views often reveal wide variation in economic returns within an issue. This is especially the case for issues such as noncommunicable diseases, greenhouse gas emissions, education, and transportation infrastructure, each of which will require investment exceeding \$200 billion annually to accelerate progress.


Similarly, the time horizon over which human benefits and economic returns are realized can vary. For example, investment to mitigate greenhouse gas emissions is front-loaded, with benefits accruing over decades, so questions of financing and sequencing are part of the cost-effectiveness equation. In contrast, many solutions to the health issues we studied can have relatively rapid economic impact.

For each of the 18 issues, we identified the countries where an issue is most prevalent and categorized the level of economic development in those countries as either “exiting poverty,” “accelerating empowerment,” or “transforming mature systems.” On this basis, the 18 issues can be clustered according to their prevailing economic context (Exhibit E7). The issues with the highest annual costs are most prevalent in high-income countries, but BCRs and time horizons for economic benefits to materialize can vary widely in all market contexts.

Exhibit E7

## Issues fall into three clusters, depending on the income level of the countries in which they are most prevalent.

### Prevalence of societal issues across countries by income level

Lowest prevalence  Highest

ISSUE CLUSTER <sup>1</sup>	Countries' income level			
	Low	Lower middle	Upper middle	High
<b>Exiting poverty</b>				
Lack of access to basic electricity	●	●	●	●
Early-childhood malnutrition	●	●	●	●
Maternal and neonatal health disorders	●	●	●	●
Indoor air pollution	●	●	●	●
Lack of access to water and sanitation	●	●	●	●
Lack of access to and low quality of education	●	●	●	●
<b>Accelerating empowerment</b>				
Lack of access to telecommunications and the internet	●	●	●	●
Inadequate housing	●	●	●	●
Inadequate transport and mobility infrastructure	●	●	●	●
Communicable diseases	●	●	●	●
Lack of access to financial services	●	●	●	●
Outdoor air pollution	●	●	●	●
Lead poisoning	●	●	●	●
<b>Transforming mature systems</b>				
Gender workforce gap	●	●	●	●
Noncommunicable diseases	●	●	●	●
Biodiversity loss	●	●	●	●
Mental health disorders	●	●	●	●
Greenhouse gas emissions <sup>2</sup>	●	●	●	●

<sup>1</sup>We clustered the issues using a low-income cutoff and a high-income cutoff.

<sup>2</sup>We estimated prevalence by concentration level of greenhouse gas emissions emitted by country.  
Source: World Bank; McKinsey Global Institute analysis

While these metrics can help guide choices, particularly at a granular, project level, they can't capture every aspect of the value of better health or education, for example. Adjusting for noneconomic factors such as increasing disability-adjusted life years may result in a different prioritization. Even the discount rate used to calculate BCRs can shift results: We use a 5 percent rate, which is relatively high for social investments and low for corporate investments, but no single standard exists. Nonetheless, a large amount of research goes into determining the cost-effectiveness of addressing societal issues and can help support transparent societal choices about public resources and policy.

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This research offers a vision of what could lie “beyond ESG.” At the core of the ESG rethink lies a simple insight: Companies can create real value for society but only if they focus on where their core capabilities can make the biggest difference and if they decide that action meets their company's goals.

A capabilities-based, horses-for-courses approach requires identifying where and how companies are best suited to address societal issues. History is chockablock with examples of the many ways in which companies find business opportunities, all of which have structural similarities when it comes to advancing innovation and scaling or making business models work in the interests of societal needs, to help society under many different circumstances. In some cases, companies can act immediately. In others, policy interventions and collaborations are required to adjust the conditions and enable private-sector participation. Whether to do so is a societal choice about funding, regulation, and coordination.



Team

Plan

Lead

# The evolving role of companies in resolving societal issues

ESG, the grab-all acronym for corporate efforts to address environmental, social, and governance issues, is undergoing a rethink, particularly in the United States.

Over the past decade, ESG has expanded as a framework aimed at measuring a company's societal impact. Corporate risks linked to society's biggest issues—such as climate change, inequality, and public health—persuaded investors that addressing these issues was good business. For instance, measures to bolster a supply chain against the shifting impact of the increasing global temperature protect the bottom line, and healthier employees improve productivity.

This shift led to a proliferation of metrics to measure company impact beyond revenues and profits.<sup>18</sup> In the process, ESG moved from the margins into the mainstream, and investors, employees, regulators, and the public increasingly expected companies to take responsibility for reducing and resolving big societal challenges.<sup>19</sup>

## The numbers tell the story

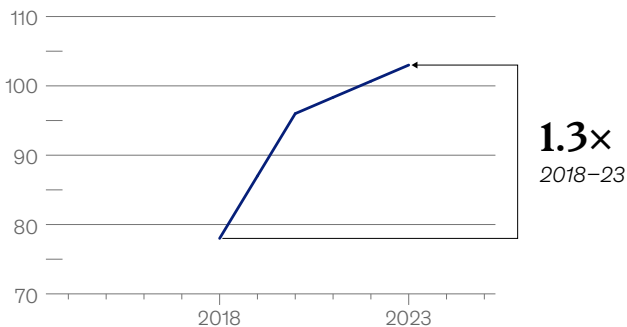
A review of ESG disclosures made by the world's 89 largest companies by market capitalization finds that at the median, a company monitored 100 ESG-related KPIs in 2023, a 30 percent increase compared with 2018 (Exhibit 1).<sup>20</sup> The number of mandatory ESG regulations and private investment in ESG measurement businesses increased respectively by 6 percent and 57 percent each year between 2020 and 2025. And media references to ESG have increased from 5,000 in 2014 to 127,000 in 2020 to 300,000 in 2024.<sup>21</sup> ESG reporting and compliance have improved transparency on issues like emissions and inclusive economic growth, preventing societal harms and showing that companies can and do make a positive difference.<sup>22</sup>

Yet the rapid proliferation of ESG checklists has crowded CEO agendas, leading to ESG fatigue.<sup>23</sup> Media mentions have ticked down in 2024 and 2025, and in the United States, shareholder proposals related to ESG declined in 2025 compared with 2024. Companies are increasingly pulled in opposite directions by differing cultural and regulatory expectations across countries. In the European Union, the regulatory requirements of the Corporate Sustainability Reporting Directive went into effect in 2025, while the United States is moving toward less reporting.<sup>24</sup> Events such as the conflicts in Ukraine and the Middle East and an emerging rearrangement of global trade have shifted public attention to energy security and affordability, amplifying these complications.

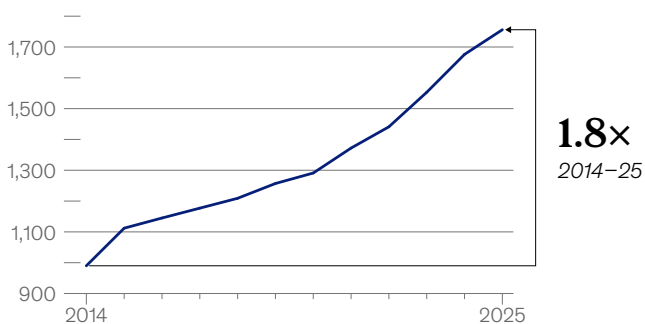
ESG ratings can also be inconsistent. According to one study, the average correlation among ESG scores from six leading rating agencies was as low as 0.38 compared to 0.99 across a variety of credit ratings, due to differences in what is measured, how it's measured, and how indicators are weighted.<sup>25</sup> Efforts to align metrics across platforms is ongoing, but ESG investment managers and companies often measure inputs and activities, rather than actually measuring and putting a value on the impact of their actions, which can be difficult.<sup>26</sup>

## Attention to ESG has increased significantly in the last decade.

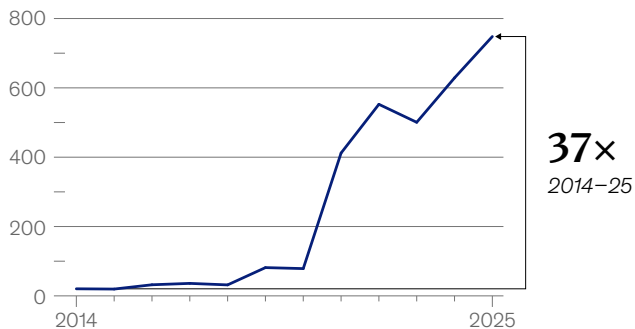
**Number of ESG-related KPIs tracked by companies, median<sup>1</sup>**



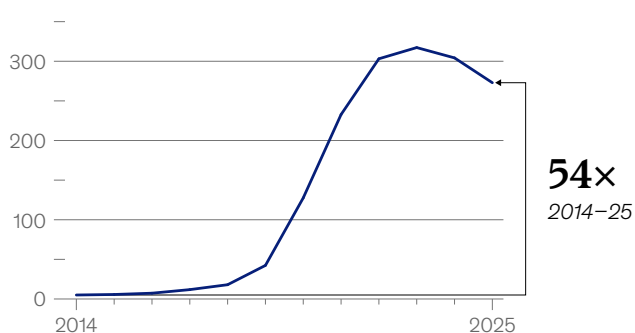
**Number of mandatory ESG regulations globally**



**Venture capital and private equity investment in ESG measurement businesses, \$ million**



**Number of ESG media mentions, thousand**



<sup>1</sup>Analysis starts in 2018 for ESG-related KPIs tracked by companies, due to data availability. Data for the number of mandatory ESG regulations is reported as of August 2025; investments and media mentions for 2025 are annualized, obtained by extrapolating figures from January to July. Source: Krueger, P., Z. Sautner, D. Tang, and R. Zhong, 2023, Data for "Mandatory ESG Disclosure Policies Around the World"; Pitchbook; Factiva; 2025 ESG Book Reporting Exchange; 2024 UN Principles for Responsible Investment; ESG Regulation Database; McKinsey Global Institute analysis

More fundamentally, a compliance-based approach, which can be appropriate for preventing harmful practices, does little to help companies set strategic priorities consistent with their business goals and capabilities. Some contend that the ESG concept itself needs an overhaul.<sup>27</sup> In particular, the “S” category covers everything from early childhood malnutrition and improving access to housing to more immediate challenges for companies like boosting the safety, health, and well-being of employees. That wide range of potential company responsibilities contributes to conflicting perspectives over what businesses should prioritize and puts corporate growth as well as progress on societal challenges at risk.

Thus, we’re at an inflection point. Societal challenges aren’t going away, but the way companies engage with them must evolve. In this report, we explore an approach that aligns a company’s capabilities and business goals with delivering positive societal impact beyond the benefits it delivers by simply doing business as usual. We take neither a positive nor negative view of ESG itself. Instead, we offer a fact base to support companies when they choose to identify and evaluate business opportunities in addressing societal issues.

An approach more focused on capabilities has gained momentum. Several organizations, including the UN Global Compact and the World Business Council for Sustainable Development, have already defined a role for business in a consolidated set of societal goals, and the Sustainability Accounting Standards Board and others have developed KPIs for different issues by industry rather than as blanket standards.

Our research examines where corporate capabilities could deliver outside impact and clarifies the market contexts needed to enable a business case across a diverse set of societal issues.<sup>28</sup> A clearer, capabilities-based approach can help business leaders interested in addressing societal issues set strategy, as well as sharpen society’s choices for building a business case to address the issues we face.

## **Companies have a direct impact on society through products and stakeholder incomes, as well as spillover effects on the rest of society**

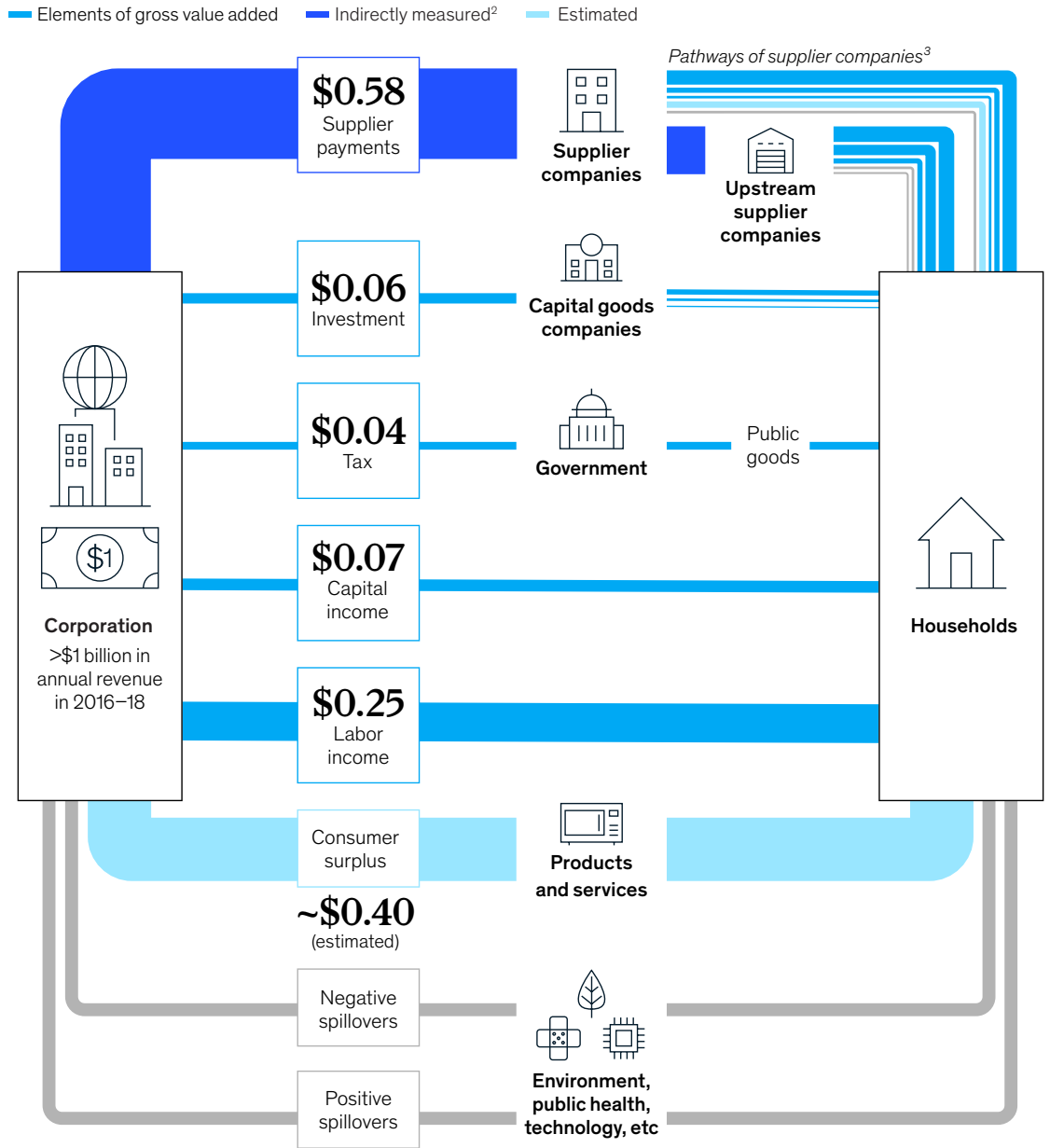
To understand how companies can help address societal challenges if they choose to do so, we start with a clear view of businesses’ direct and indirect impact on lives, livelihoods, and the planet every day.

Our first report on companies in the 21st century identified eight pathways through which corporations have an impact on stakeholders and society at large (Exhibit 2).<sup>29</sup> Five of these pathways reflect the flow of corporate income to those stakeholders. Some 25 cents of each dollar generated by the average large corporation in an OECD economy—defined as a company with more than \$1 billion in revenue—flows to employees as wages, salaries, and other benefits. Seven cents of that dollar goes to dividends, share buybacks, and interest payments on debt. Six cents is retained for investment in new, productive assets, and four cents pays for production and corporate taxes. The remaining 58 cents is used to pay suppliers, which redistribute the funds to their stakeholders and to pay their expenses. A sixth direct or market-based pathway is the value that flows to customers in the form of products and services, which some have measured as the largest pathway of corporate value creation.<sup>30</sup>

Societal issues can arise related to the responsibilities companies have to these stakeholders, not only linked to the distribution of financial value but also, say, to worker safety, health, dignity, and skills; product transparency and safety and cybersecurity for consumers; and ethical standards for suppliers. How to address these issues has been well studied and can involve redefining a company’s relationship with its stakeholders in ways that increase productivity, enhance corporate reputational value, increase resiliency in supply chains, and manage regulatory risk.<sup>31</sup> Optimizing such “win–wins” on issues relating to these stakeholders is not always easy, but doing so is an important part of creating long-term value for a company that can translate into higher GDP at the economy level, not to mention part of upholding standards that maintain a social license to operate.<sup>32</sup> The link between a company’s type—its capabilities, stakeholders, and local context—and the potential for such win–wins is critical.<sup>33</sup>

## Corporate economic gains flow to households via eight pathways.

Value flow for every \$ of corporate revenue, for average corporation with >\$1 billion in revenue<sup>1</sup>



<sup>1</sup>Revenue-weighted average of companies with >\$1 billion in annual revenue, based in OECD countries, 2016–18 averages.

<sup>2</sup>Supplier payments do not flow directly to households but rather via the pathways of supplier companies. This is true even when the large corporation on the left is itself a supplier; in that case, some of the consumer surplus is also transmitted via downstream companies.

<sup>3</sup>Pathways refer to the channels through which value generated by companies from sales flows directly or indirectly to households. The pathways are labor income (wages and benefits), capital income (dividends, share buybacks, and interest), taxes (corporate income and production process taxes), investment (money retained from profits and spent on capital assets to drive future value creation), and payments to suppliers (for goods like inventory and contracted services used in production). We also include consumer surplus (imputed value greater than price) but can only estimate it broadly, and two spillover examples (impact on the environment and growth of total factor productivity) which we analyze but do not measure in aggregate dollar terms in this research.

Source: MGI Companies and Economy data set; McKinsey Global Institute analysis

But companies also affect people who are not direct stakeholders. These societal spillovers (the seventh and eighth pathways in the framing in the first report) include positive externalities, such as productivity growth, technology diffusion, improved access to services, and negative ones, like pollution, biodiversity loss, or underprovision of public goods.

The negative ones often arise in one of two ways:

- **Underprovision.** Goods or services that create significant social value, such as basic healthcare, sanitation, education, nutrition, or electricity, are not delivered at sufficient scale or quality.<sup>34</sup>
- **Negative externalities.** The environmental or health costs of companies' products or operations aren't reflected in prices or absorbed by the producer, as in the case of pollution and damage to biodiversity.

It can be even more difficult to find company and society win–wins in these cases, and markets as currently structured aren't delivering. Addressing such broader societal issues often requires a regulatory response to prod companies to adjust the price or quantity of what they produce—or so the thinking goes.<sup>35</sup> Societal actions can be part of a solution to an issue, but historical examples reveal two more important elements that are often overlooked: new technologies and business models that change the game.

This report aims to illustrate how companies might bring their capabilities in innovation and scaling to bear on societal issues in a focused, sustained, and (when needed) collaborative way, as well as the limits they face (see sidebar “Parsing the landscape of societal issues.”) We focus on the role that large, market-shaping companies can play if they choose, because their capabilities in innovation, scaling, convening, and setting norms for the business community can propel them into society's spotlight and deliver outside impact.<sup>36</sup>

Sidebar

## Parsing the landscape of societal issues

Both our prior research on stakeholder value and this report on broader societal issues focus primarily on issues that have an economic-value dimension. Specifically, chapters 3 and 4 of this report analyze 18 representative societal

issues to illustrate where and how companies can make a difference.

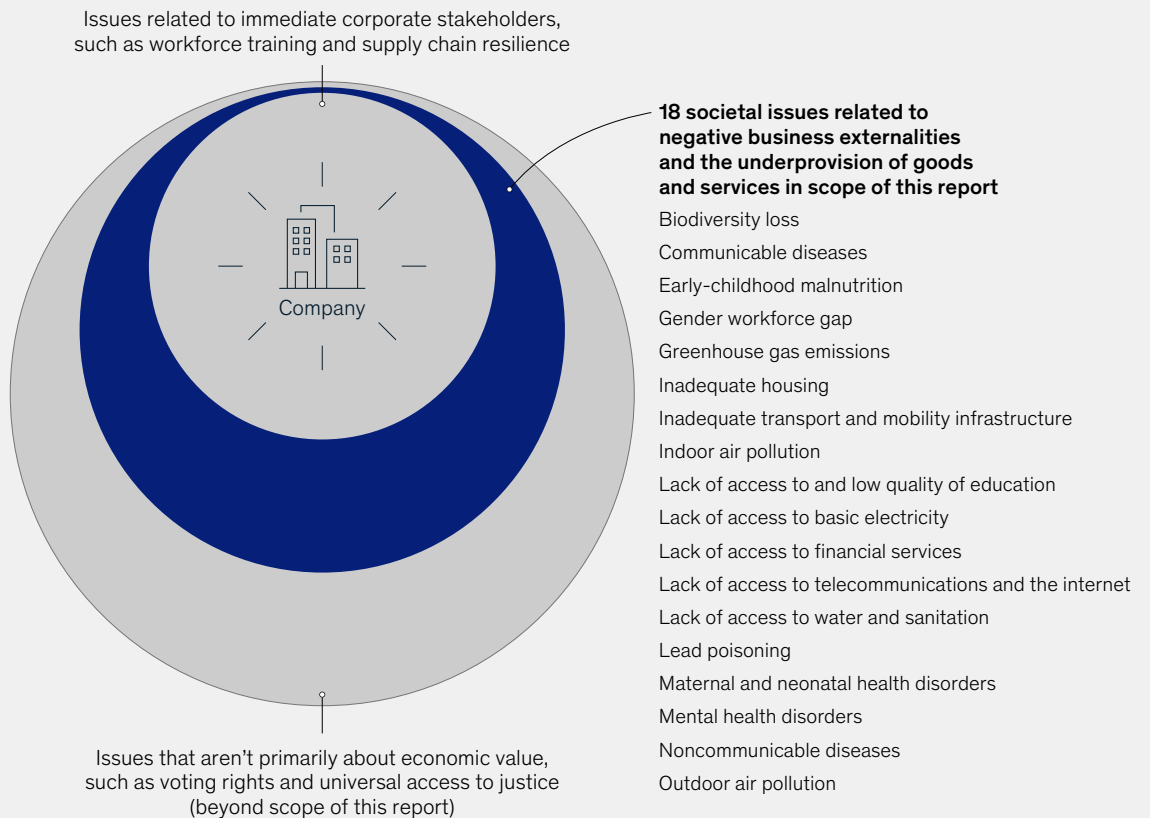
Beyond the pathways that deliver such value to immediate stakeholders and society more broadly, a third category of issues, those primarily political in nature, are not addressed in this report or our prior research (Exhibit 3). These issues reflect widespread disagreement over the societal values at stake in addressing them, including political rights and outcomes,

rather than how economic value is created and shared. Companies are drawn into debates over these issues primarily because of their influence or differing perspectives on the social benefits of their products, rather than their business capabilities. While we acknowledge that the distinction between a political issue and a societal issue that is primarily economic in nature can be blurry and that CEOs confront political issues, these issues are beyond the scope of this research.

Exhibit 3

### This research examines societal issues beyond those involving immediate corporate stakeholders.

#### Categories of societal issues that companies could consider



Source: McKinsey Global Institute analysis

McKinsey & Company

## **Progress correlates with economic development for many societal issues**

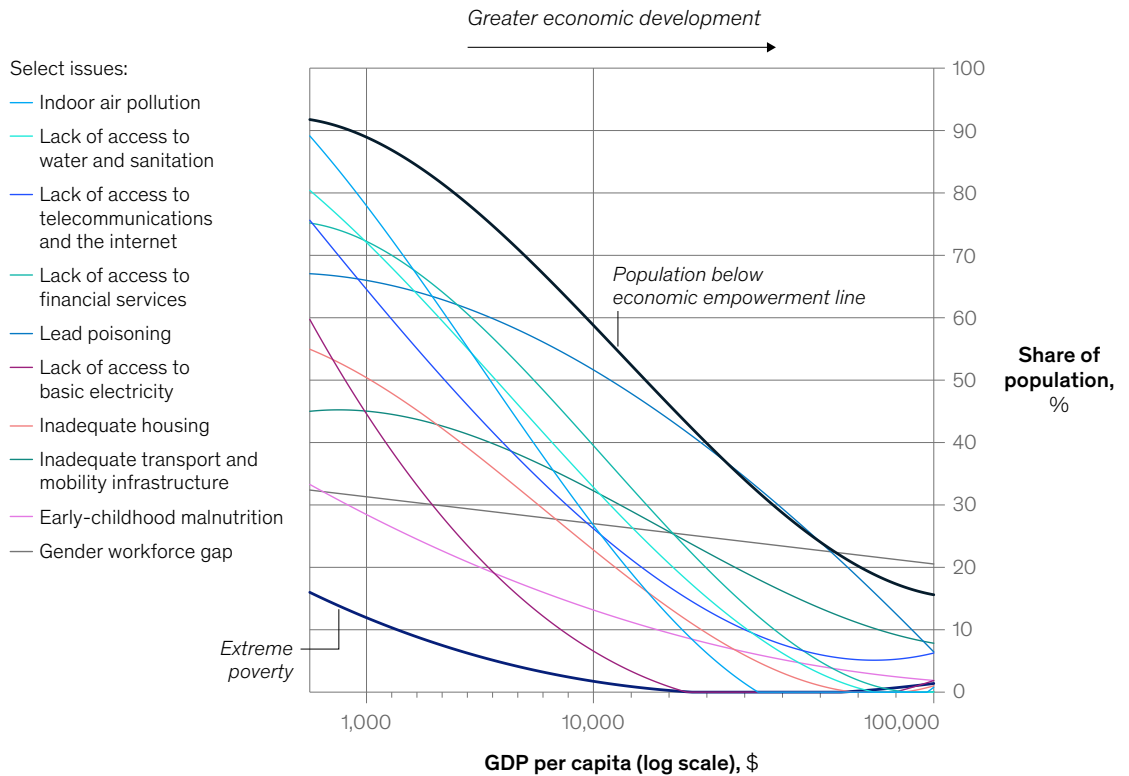
Progress on many issues correlates with the higher purchasing power of households and governments that comes with economic development, highlighting the large indirect impact companies have on societal issues via their contributions to productivity growth and incomes.<sup>37</sup>

At the same time, issues correlate with a country's level of economic development at different rates. While it may seem obvious that issues such as childhood malnutrition and a lack of access to education are more prevalent in low-income countries, some issues can worsen or evolve in tandem with economic development—many environmental issues, for example, or housing shortages that give rise to informal settlements as countries urbanize. Other issues may be concentrated in high-income countries due to factors like demographics, such as noncommunicable diseases that occur more in older populations.<sup>38</sup>

Ten of the 18 societal issues we analyzed can be measured using the percentage of a population covered by provision of a good or service needed to resolve them. When the share of a population covered by each solution is plotted against GDP per capita, the resulting lines for all ten issues fall between two key thresholds (Exhibit 4). The lower threshold is the extreme poverty line of \$2.15 per day at purchasing-power parity, below which people have little more than the bare necessities. The higher threshold is the empowerment line, about \$12 per day at purchasing-power parity, an income level that enables most people to participate in markets and systems that provide essential goods and services.<sup>39</sup> This pattern reflects how societies gain access to services as populations move along the economic development spectrum.

## Many societal issues decline as economic development increases.

Estimated population facing each issue, shown with fitted curves, by level of development by country



Note: Data is calculated to create fitted curves, visualizing smooth lines for illustration purposes. The number of people living with inadequate housing is established by determining the percentage of a population not living in informal settlement. We measure lead exposure using the number of age-standardized, disability-adjusted life years (DALYs) lost per 100,000 people due to lead contamination, using data from the Institute for Health Metrics and Evaluation. Lead poisoning is defined as the Environmental Performance Index score. Early-childhood malnutrition is defined as stunting prevalence in children 5 years and younger. The empowerment line is a metric developed by the McKinsey Global Institute that estimates the cost of a basket of essential goods and services needed to attain a frugal yet decent quality of life. Gender workforce gap is defined as the percentage of a female population older than 15 years of age participating in workforce.

Source: World Bank; World Health Organization; McKinsey Global Institute analysis

McKinsey & Company

The prevalence of an issue can vary significantly across regions with similar per capita incomes (Exhibit 5).<sup>40</sup> Take maternal and neonatal disorders. Infant mortality rates are, on average, higher in countries with lower income levels. Yet more than a quarter of low-income countries have rates close to the median of lower-middle-income countries and higher than some upper-middle-income countries. For instance, Equatorial Guinea has the highest infant mortality rate among upper-middle-income countries, roughly 50 deaths per 1,000 live births, while Rwanda, a low-income country, has a much lower infant mortality rate, about 30 deaths per 1,000 live births.<sup>41</sup>

Even within countries, disparities across groups can be large. For example, deaths from pregnancy-related conditions are 2.6 times higher among Black women than among non-Hispanic White women in the United States.<sup>42</sup> In another case, the Gambia, a low-income country, has significantly expanded internet access, reaching rates comparable to the average in lower-middle-income countries. Conversely, only about 20 percent of the population of Turkmenistan, an upper-middle-income country, has internet access. The variation across countries is especially prevalent in middle-income countries.<sup>43</sup>

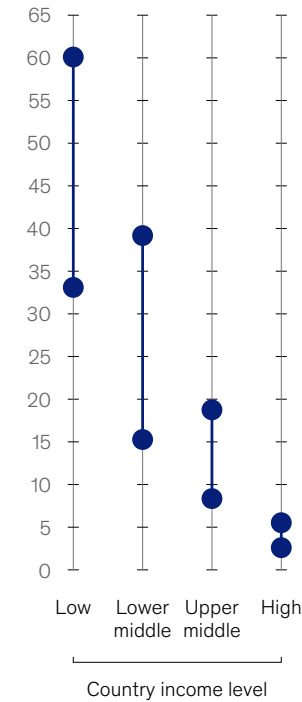
## Outcome metrics vary within and between income groups.

### Range of country outcomes on 3 societal issues, by income level

● Country at 75th percentile for each issue metric  
 ● 25th percentile

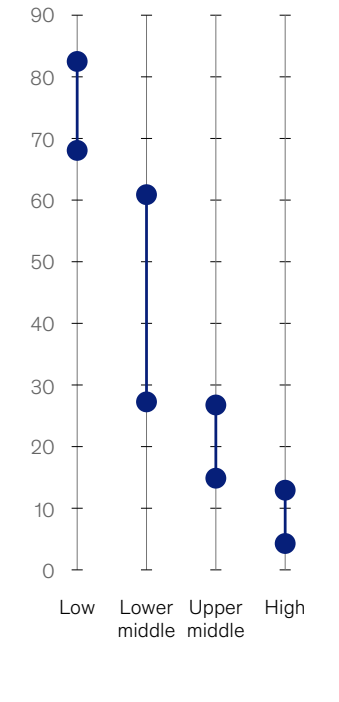
#### Maternal and neonatal health disorders

Infant mortality rate per 1,000 live births



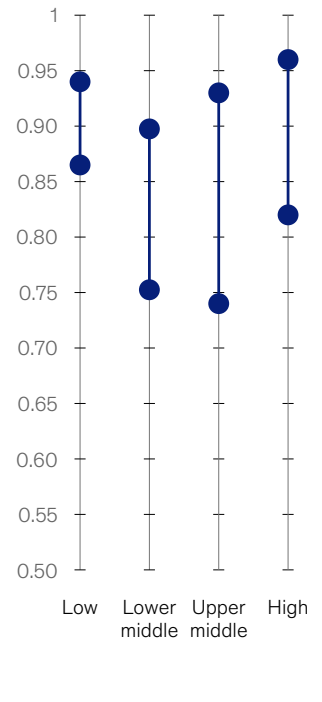
#### Lack of access to telecommunications and the internet

Share of population without access to the internet, %



#### Biodiversity loss

Red List Index of threat to species' survival,<sup>1</sup> (0–1 scale; 1 = safest)



<sup>1</sup>The Red List measures changes in extinction risk over time for groups of species. An index value of 1 indicates the viability of all species are of least concern, though not threatened, while a value of 0 means a species is extinct. Source: World Bank; McKinsey Global Institute analysis

McKinsey & Company

Many causes explain these differences, including structural ones like systems of government or fixed ones like geography. Nonetheless, such variation also suggests economic development matters a lot but is not the only factor driving progress on societal issues.

### Accelerating progress beyond current trajectories

What does it mean to address a societal issue? To create a reasonably apples-to-apples answer across issues and enable consistent assessments of size and cost-effectiveness of solutions, we define a baseline and accelerated trajectory for each issue. These trajectories are defined by an outcome metric, namely, an environmental and human impact such as lives saved or global average temperature, which is the primary reason for addressing these issues. The baseline trajectory reflects the continuation of the current pace of

progress, which may be positive as in the case of the issues that have lessened with economic development illustrated in Exhibit 4, or negative, as in the case of carbon accumulating in the atmosphere at rates unlikely to prevent the average global temperature from increasing by at least 2°C. The accelerated trajectory is based on an observed best-in-class rate. We then set the accelerated trajectory as the global bar for progress to 2050 for all 18 issues we studied and estimated the incremental benefit that could be achieved above the baseline trajectory. (The exceptions are when there are well-established scenarios: climate change, which has an outcome metric that is a single global measure of temperature; biodiversity loss, which consists of halting the global loss of species; and health issues, which are based on potential for scaling known interventions.)

For example, achieving the accelerated trajectory to improve indoor air quality as determined by recent best-in-class results could reduce deaths from about three million in 2020 to fewer than 100,000 people per year by 2050, whereas on the baseline trajectory, the number of deaths would be one million per year, or ten times as many (Exhibit 6). Similarly, extending internet and telecommunications access at an accelerated pace could achieve full global internet access by 2036, a target that remains out of reach until after 2050 at the current pace of progress.<sup>44</sup>

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Debates over ESG can bog down in lists of metrics, which serve a purpose but miss the big picture: Companies can have the biggest impact on societal issues when their innovation and scaling capabilities are brought to bear. Companies already have a significant impact on society. The challenge is to ensure companies stay focused on where they are fit for purpose and can make a difference. By understanding their direct stakeholder relationships and broader societal spillovers, companies can prioritize the few issues where they are best suited to make a positive impact if they choose to. That is the essence of a strategic approach to societal contribution—one that moves beyond compliance and toward catalytic impact in line with business goals. In this chapter, we have defined the landscape of societal issues and what it means to accelerate progress. In the next three chapters, we provide a micro-to-macro view of how companies can and can't make a difference and on what issues.

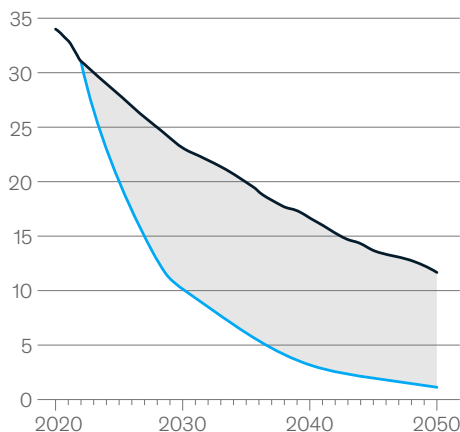
## An accelerated trajectory represents the potential improvement in lives and livelihoods beyond the historical rate of progress.

### Accelerated trajectory's improvement over baseline for 4 representative issues

Trajectory: — Accelerated — Baseline

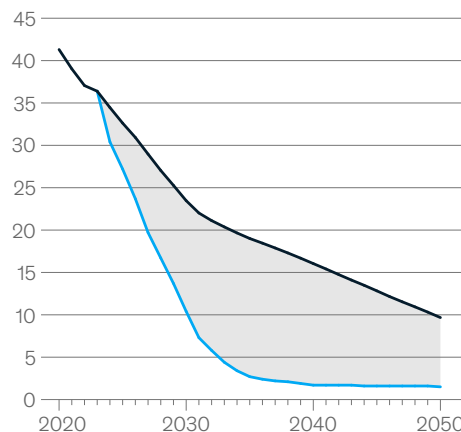
#### Issue: Indoor air pollution

Number of deaths attributable to indoor air pollution, per 100,000 population



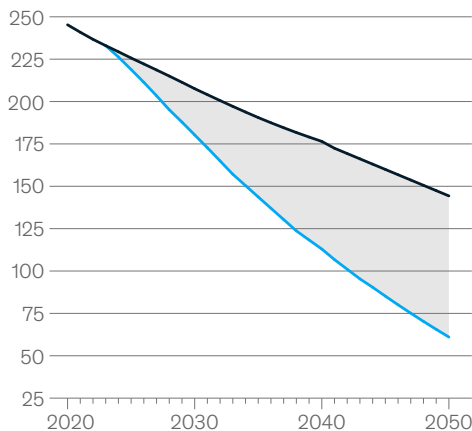
#### Issue: Lack of access to telecommunications and the internet

Share of global population not using internet, %



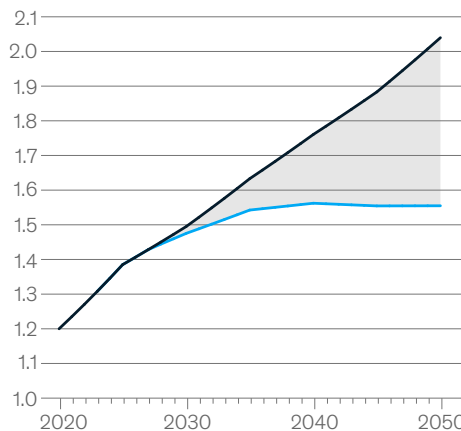
#### Issue: Maternal and neonatal health disorders

Estimated disease burden of maternal and neonatal health issues, million DALYs<sup>1</sup>



#### Issue: Greenhouse gas emissions

Global temperature increase over preindustrial average, °C



<sup>1</sup>Disability-adjusted life years (DALYs) are a measure of years of healthy life lost to premature death and or poor health due to chronic disease or disability. Source: World Bank; Global Burden of Disease, Institute for Health Metrics and Evaluation; Our World In Data; Network for Greening the Financial System; *Prioritizing health: A prescription for prosperity*, McKinsey Global Institute, July 2020; McKinsey Global Institute analysis



# Enlisting corporate innovation and scaling to address big societal issues

To be sure, the best way for companies to support societal progress is by simply doing more of what they do best. Productivity growth and economic development have historically driven gains in health, education, and infrastructure access, improving lives and livelihoods.

However, evidence also shows that relying on business as usual alone won't resolve the most urgent societal challenges. For example:

- *Infant mortality* rates remain alarmingly high in some lower-middle-income countries, despite general economic growth.
- *Electricity access* has not reached large swaths of rural populations, even in emerging economies with rapid urban development.
- *Greenhouse gas emissions* have continued to rise globally, despite technological improvements and voluntary corporate pledges.

Companies that want to make a difference can be targeted and intentional, asking where they can invest their capabilities and know-how to create solutions that will accelerate resolution of critical issues the most while meeting business goals.<sup>45</sup>

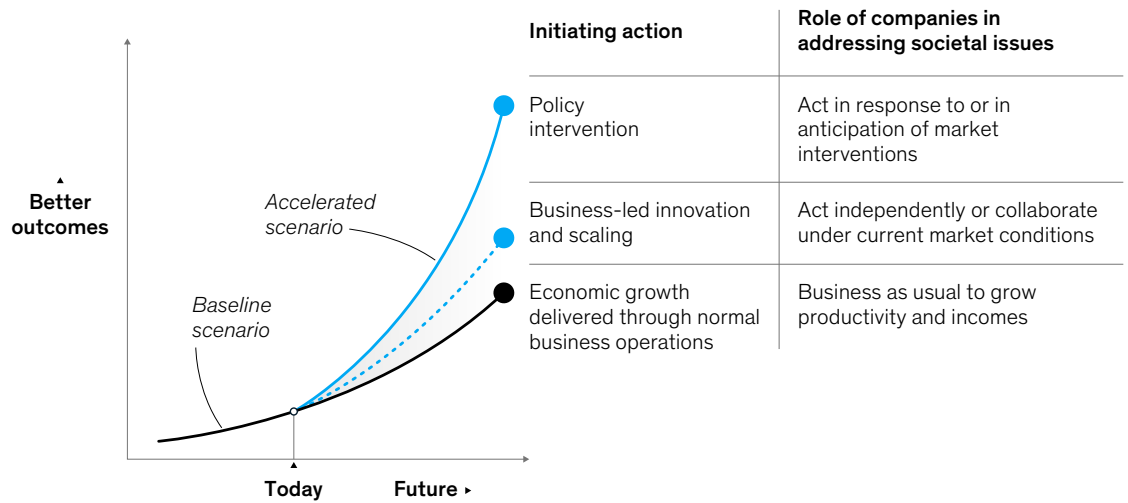
## Is business as usual enough?

Businesses considering where to take steps to address a societal issue can think about this question on two levels: what is possible under current market conditions and what is possible if there are policy adjustments that encourage companies to tackle an issue (Exhibit 7). In the first category, companies on their own can scale existing solutions or innovate to develop better and more affordable interventions, independently or in collaboration with other private, social, and public organizations. In the second category, governments can intervene by shifting incentives, direct investment, orchestration of other actors, or changing regulations to motivate companies to act. Without policy intervention, which is a societal choice, corporate innovation and scaling efforts may improve upon the baseline trajectory but will generally not be enough to achieve the accelerated trajectory to resolve an issue, given underlying market failures.

This chapter uses historical and recent examples to explore business-led possibilities for action under current market conditions and the iterative process of policy adjustment and business response that can spur additional innovation and progress, should society choose to do so.

**Addressing societal issues is achieved via three mechanisms:  
Economic growth, business-led innovation, and policy intervention.**

**Mechanisms to improve outcomes for societal issues in an accelerated scenario**



Source: McKinsey Global Institute analysis

McKinsey & Company

**Historical lessons in corporate impact**

Examples from the past illustrate a pattern that begins with increasing awareness of a negative environmental externality or underprovided good or service, such as healthcare, food, or education, among a segment of the public or key stakeholders. Solutions then develop through an iteration of public awareness, innovation, and public policies that accelerate and scale those innovations. Eventually newer, better products, services, and processes take hold and dramatically reduce or eliminate an issue, even if progress didn't always proceed along a straight line.<sup>46</sup>

Companies can act on their own to address societal issues and may develop technologies and practices that even make it advantageous to do so. But as the historical examples illustrate, a pattern of innovation and policy adjustments can take many forms and follow different sequencing. And in all cases, solutions didn't simply price externalities or enforce collective action; rather, they all involved new technologies created and scaled in part by the private sector that solved an underlying problem.<sup>47</sup>

Several real-life examples illustrate the iterative process of innovation and policy adjustments that achieved progress and the variety of interventions involved (Exhibit 8).

**Leaded gasoline.** President Richard Nixon signed the Clean Air Act in 1970, which mandated the reduction in emissions of pollutants such as hydrocarbons, carbon monoxide and nitrogen oxides, and created the Environmental Protection Agency to enforce it. To reduce the tailpipe emissions of those pollutants, auto manufacturers turned to a 20-year-old technology, the catalytic converter, that required unleaded gas to operate. In 1973, EPA also released a study confirming that lead from automobile exhaust poses a direct threat to public health. Later that year, EPA issued regulations requiring the sale of unleaded gasoline (to protect catalytic converters in vehicles that had them installed) and phasing down the sale of leaded gasoline over time (to reduce lead from automobile exhaust).

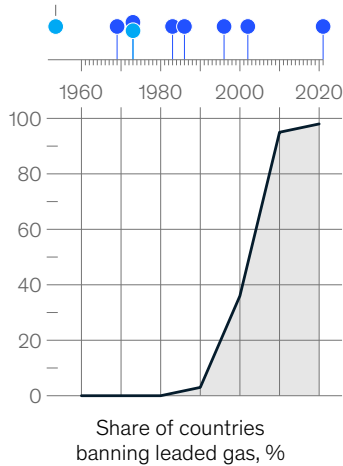
## Back-and-forth iteration between innovation and policy intervention has resolved societal issues in the past.

### Outcomes related to 3 innovations driven by the private sector and public policy

Years when: ● Business-led innovations occurred ● Policy interventions occurred

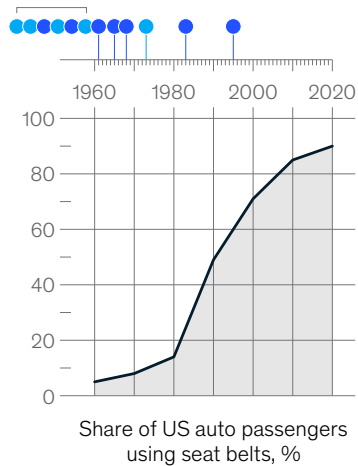
#### Global transition to lead-free gas in automobiles

Innovations/interventions  
Pre-1960

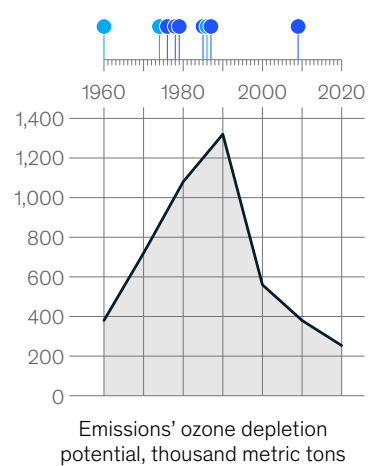


#### Rising use of seat belts in automobiles

Pre-1960



#### Alternatives to ozone-depleting substances



Source: World Health Organization; Our World in Data; National Public Radio; The National Safety Council; Centers for Disease Control and Prevention; American Automobile Association; Air Education and Training Command; Works in Progress magazine; Geels and Penna, 2015; McKinsey Global Institute analysis

McKinsey & Company

**Seat belts.** Similarly, the evolution of seat belt installation in the United States exemplifies how resolving a societal issue doesn't always unfold along a straight line.<sup>48</sup> Carmakers initially resisted installing seat belts out of concern that they would add to the cost of vehicles and imply that cars were unsafe. In 1953, the Colorado State Medical Society advocated for the installation of seat belts in all vehicles, and a year later, the Sports Car Club of America mandated seat belts in cars used in racing. As evidence of the risks of driving climbed, public advocacy such as Ralph Nader's book *Unsafe at Any Speed: The Designed-In Dangers of the American Automobile* publicized the risks and society's demands for more safety increased, policymakers devoted more attention to the issue. Auto companies responded by investing in safety technology and added seat belts to cars, indicating that passenger safety was a priority for car manufacturers.<sup>49</sup> Safety became a profitable selling point—many new parents who invested in Volvo station wagons because of their perceived safety—a win-win for companies and for public safety.<sup>50</sup>

**Ozone depletion.** Finally, concerns about damage to the ozone layer of Earth's atmosphere first arose in the 1960s, and by 1979, NASA was monitoring ozone levels using Total Ozone Mapping Spectrometer instruments that provided crucial data.<sup>51</sup> In response, several countries banned the use of chlorofluorocarbons, which damage the ozone layer, in aerosol sprays, and consumers voluntarily shifted to pump sprays and roll-ons that companies began selling to replace aerosols. In the 1980s, the Vienna Convention and Montreal Protocol made significant international commitments to protect the ozone layer. Industry responded with less damaging alternatives. Global consensus and cooperation addressed ozone depletion, using new regulations to prod private industry to adapt through innovation.<sup>52</sup>

## Detailed examples of the company–policy dynamic in action

To illustrate how the iterative process of innovation, scaling, and policy adjustment plays out, we offer two detailed examples of efforts to address issues on our list of 18. The first highlights how innovation in medical devices, blood delivery to remote areas, and other solutions improved maternal and neonatal health services in the lower-income settings where the issue is most prevalent. The second example highlights how innovation in telecommunications and internet delivery brought down costs and massively scaled the reach of services in India.

### **The issue: Inadequate maternal and neonatal health services**

In low- and middle-income countries, maternal and neonatal health services often are inadequate.<sup>53</sup> Postpartum hemorrhage is the leading cause of maternal mortality globally, accounting for about 20 percent of maternal deaths.<sup>54</sup> While major improvements have been made in recent decades, rates of preventable deaths of mothers and newborns remain high, largely due to health system inefficiencies, infrastructure gaps, and weak supply chains. Basic clinical interventions such as oxytocin for postpartum hemorrhage, magnesium sulfate for preeclampsia, and neonatal resuscitation are common and effective but often unavailable in resource-constrained and remote settings.<sup>55</sup>

In general, resolving such issues might appear at first glance to be just about allocating public funds for delivery of care and research. However, companies can play meaningful roles in innovating, adapting, and scaling solutions to relieve funding constraints and save more lives.<sup>56</sup>

Large companies today account for almost half of the value added when it comes to the goods and services needed to improve maternal and neonatal health. Their innovations improve cold chains, as well as therapeutics that don't require cold chains or that have reduced the side effects of antihemorrhagic agents.<sup>57</sup> While most interventions are concentrated in the pharmaceuticals, healthcare providers and services, and supplement and personal care industries, many other types of companies across the broader ecosystem of maternal and neonatal health can also have significant impact. Logistics providers, equipment manufacturers, and digital health innovators, for example, can support product and service delivery and lower costs across the system.

Since the population most affected by poor maternal and neonatal health lives in low- and middle-income countries, the market underpinning the needed care is nascent and often fragmented. Households often lack access to maternal health services due to an absence of infrastructure or delivery mechanisms. Such deficiencies are more likely in households in low-income countries but also affect rural households in middle- and high-income countries.

To improve maternal and neonatal health, several companies have found innovative ways to overcome financial constraints and the challenges of fragmented markets. In low-income contexts, companies have innovated to lower costs for institutional buyers such as governments and NGOs. For example, in Malawi, donor money enabled Hadleigh Health Technologies to roll-out a low-cost “bubble” CPAP device that reduces neonatal mortality by delivering effective respiratory support in place, reducing the need for expensive ICU infrastructure.<sup>58</sup> Similarly, Ferring Pharmaceuticals reinvented a heat-stable postpartum hemorrhage prevention medicine that eliminates the need for an expensive and difficult-to-maintain cold chain, reducing costs and making distribution in rural or low-resource settings easier.<sup>59</sup>

In more developed and intermediated middle-income markets, companies are engaging more directly with systems of providers and payers that include hospitals and insurance companies. For example, Phoenix Medical Systems in India manufactures affordable neonatal equipment tailored for hospitals with limited resources. Similarly, LifeSpring Hospitals, a joint venture between HLL Lifecare and Acumen, offers high-quality maternal care at low cost in India through a combination of public assets, philanthropy, and private efficiency.<sup>60</sup>

While these examples demonstrate what is already possible under existing market conditions, faster and broader progress will likely require policy adjustments that enable companies to provide even more needed solutions—in other words, society will need to make choices. In many cases, that could mean increasing public funding. Zipline's Rwandan drone network illustrates the point: a small, privately funded pilot program, a national service contract, and donor cofinancing allowed the company to scale nationwide and

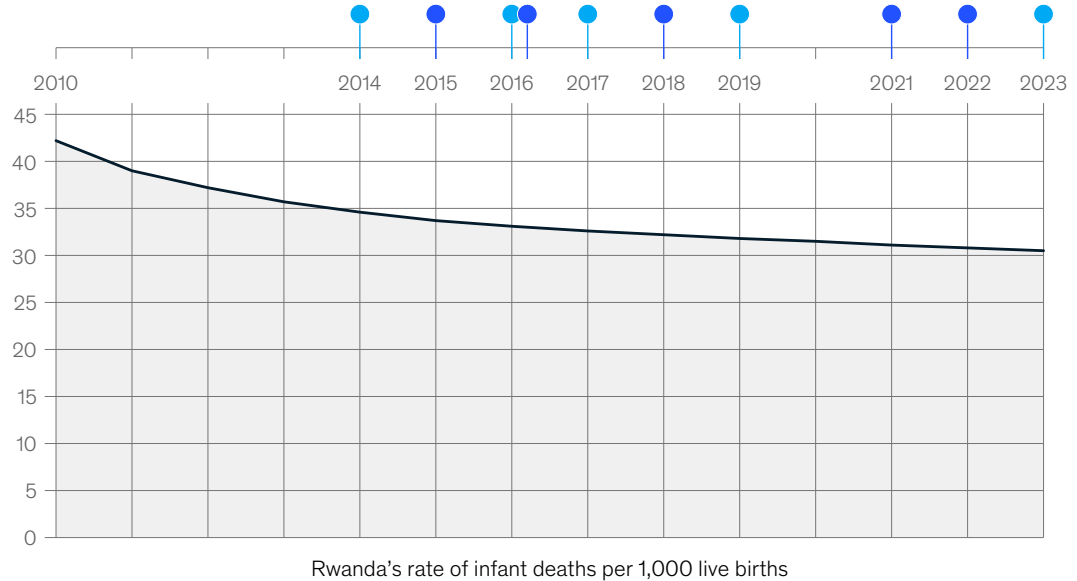
cut vaccine-delivery costs (Exhibit 9).<sup>61</sup> Recent studies have shown that delivering vaccines by drone can be more cost-effective than other methods.<sup>62</sup>

Exhibit 9

## Commercial innovation and policy support for medical drone deliveries have contributed to improving maternal and neonatal health.

### Timeline of logistics company Zipline's medical blood delivery operation in Rwanda

Years when: ● Business-led innovations occurred ● Policy interventions occurred



- 2014: Zipline's founders believe their long-range, fixed-wing drones could address Rwanda's acute need for rapid blood transfusions to treat postpartum hemorrhage, severe childhood anemia, and other health issues needing fast response. They approach the Rwandan government for permission to test the plan.
- 2015: Rwanda's Ministry of Health grants permission for a pilot program to deliver blood by drone.
- 2016: The first area of operations goes live. Zipline delivers blood to Kabgayi Hospital in 15 minutes, compared with 3 to 4 hours by road. Seven hospitals join the program within months.
- 2016: Ministry of Health starts paying for Zipline deliveries.
- 2017: Scaling slows down as high costs and regulatory prohibitions on drone flights at night limit Zipline's ability to reach more hospitals. In parallel, B Medical Systems deploys solar-powered vaccine fridges in rural Rwanda, enabling last-mile health centers to safely store vaccines and expanding immunization reach.
- 2018: The Rwandan government approves uncrewed aerial vehicle (UAV) flight corridors for autonomous flying and signs a national service contract with Zipline. Gavi and UPS provide money to develop a village-level vaccine network.
- 2019: A distribution hub is built in Kayonza. Zipline's drones can now cover two-thirds of the country and deliver more than three-quarters of all the blood needed outside Kigali, typically within 15 minutes.
- 2021: The Rwandan government approves UAV night flight corridors.
- 2022: The Rwandan government agrees to guarantee shipment volumes to 2029, ensuring a market for Zipline's drone services.
- 2023: A vaccine pilot at the village level demonstrates lower costs can be achieved. With Gavi and UPS backing, Zipline affirms that its drones have dropped 76,000 vaccine doses in 119 rural posts, fully immunizing roughly 6,000 children for just \$0.24 per dose—about 85 percent cheaper than using the motorbike cold chain that prevailed before drones were used.

Source: Zipline; Globe Newswire; FII Institute; Reach Alliance; World Bank; McKinsey Global Institute analysis

In addition, there are challenges of orchestration. Governments can align incentives, simplify delivery models, and iterate based on what has worked elsewhere to overcome these challenges. For example, Ghana has implemented data-driven decision-making with electronic medical records, real-time health monitoring, and annual performance reviews to improve accountability and guide resource allocation.<sup>63</sup>

We estimate that the annual cost to fully accelerate progress on maternal and neonatal care at an aggregate level would be \$50 billion annually to 2050, using existing technologies. Yet as these project examples illustrate, there are many ways corporate innovation enhanced by policy adjusted based on what works enables companies to do more at a lower cost.

### **The issue: Lack of access to telecommunications and the internet**

In middle-income countries where telecom markets function well in some areas, large segments of the population may remain unserved. The role of the private sector is prominent in delivering these services, and many of the technologies needed are commercially viable already. Yet roughly 2.6 billion people remain unconnected to the internet in 2025. Most of them live in less developed areas of South Asia, East Asia, and Africa, although many parts of the rural United States also lack affordable broadband connectivity. Progress correlates highly with economic growth and the availability of public resources. However, broadband expansion can be costly, due to infrastructure limitations, low population density that limits economies of scale, geographical barriers, regulatory complexities, and shortages of skilled workers.<sup>64</sup>

Large companies today account for about 50 percent of the products and services associated with delivering internet access. The main industries are telecommunication services, wireless telecommunication providers, and interactive media companies such as pay-TV businesses. In addition to these core players, other types of companies across the ecosystem, such as network equipment manufacturers that build physical infrastructure, satellite providers that expand rural coverage, and digital platform companies that drive demand for access through content and services, also can contribute meaningfully.

The level of development and market intermediation underpinning this issue varies, as it does for maternal and neonatal health (see sidebar “Market context: Why companies can—and can’t—act”). In low-income places where infrastructure is often absent, consumers rarely pay directly for internet service. Instead, access is funded through public programs or donor support and delivered via private telecommunications operators. In some cases, payments by higher-income and urban consumers cross-subsidize costs. In middle-income settings, consumers typically pay directly for service, and companies engage with individual households or small businesses.<sup>65</sup>

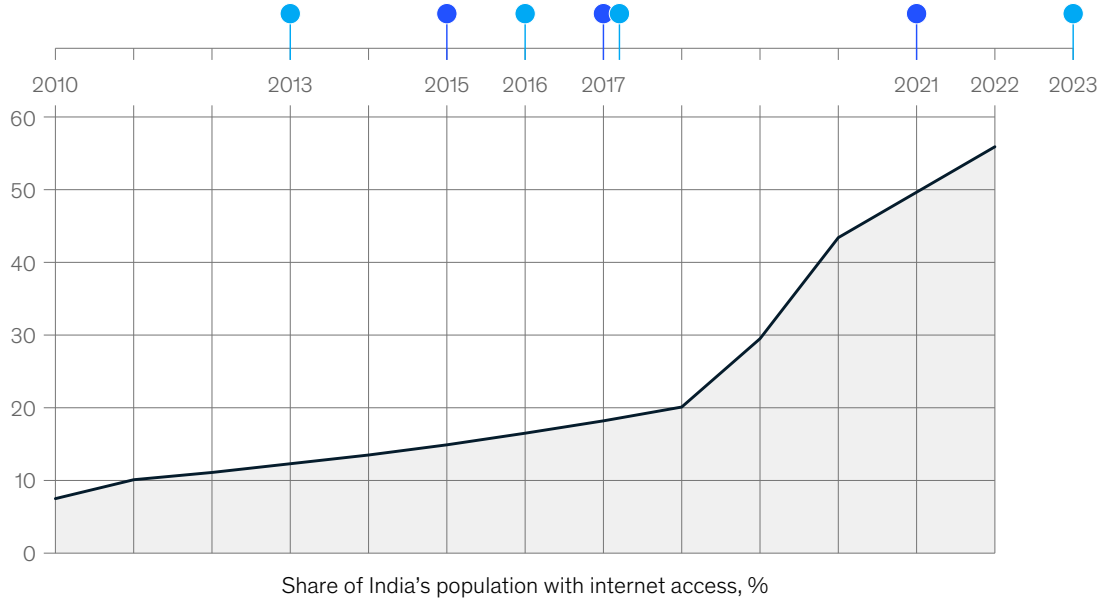
Companies have innovated and scaled to lower the cost of service, making it easier for intermediaries and consumers to purchase it. In the Philippines, for instance, Globe Telecom uses fixed wireless access, which builds on existing mobile infrastructure such as 5G networks to deliver last-mile broadband more economically than other arrangements to areas underserved by cable or fiber.<sup>66</sup> New technologies like low-Earth orbit satellites can extend reach to remote areas where terrestrial infrastructure is too expensive to be feasible. While not yet affordable at scale for low-income users, these platforms could become a more viable option in more rural and remote areas as deployment increases and costs fall.<sup>67</sup>

These examples demonstrate what is already achievable under current market conditions, but reaching more people more quickly would require policy changes to reshape conditions, a decision society would need to make. The obstacles on this course include limited funding, long investment time horizons, and poor coordination across government entities involved in permitting. Reliance Jio in India is a case of overcoming such barriers: By pairing its own low-cost 4G network and \$20 “smart-feature” phones with government-funded rural fiber and zero interconnect fees, it cut mobile-data prices by about 90 percent and helped lift India’s Internet user share from single digits in 2010 to roughly 60 percent of the population by 2022 (Exhibit 10).<sup>68</sup> The company’s competitors also responded with lower prices and by scaling solutions.

## A combination of steps by Reliance Jio and policymakers contributed to increasing internet access and connectivity in India.

### Timeline of telecommunications company Reliance Jio's operation in India

Years when: ● Business-led innovations occurred ● Policy interventions occurred



- 2013: Reliance Jio begins 4G rollout infrastructure deployment under a strategy to deliver 4G services at reduced prices.
- 2015: India launches Digital India initiative to improve online infrastructure and increase internet accessibility in India, with multiple programs including BharatNet, a program to build infrastructure to connect 250,000 villages with at least 50 megabits per second and open the infrastructure to businesses.
- 2016: Jio goes live nationwide, offering six months of free 4G data and voice services. One hundred million users join over 170 days, driving down users' price of service by roughly 90 percent.
- 2017: The Indian government reduces intercompany charges for interconnections, which reduces the price of mobile plans even more.
- 2017: Jio introduces the JioPhone at a price of \$20. Customers buy more than 80 million units, which deliver internet access to tens of millions of first-time users.
- 2021: The Indian government abolishes interconnection charges, further reducing costs for companies and consumers.
- 2023: JioPhone Next, built with Google and costing less than \$50, targets an additional 500 million users. Jio also launches a \$12 version.

Source: World Bank; The Economic Times; Reliance Industries Limited; The Economist; McKinsey Global Institute analysis

Funding is one piece of the puzzle, and greater orchestration by governments may also be needed to address a lack of connectivity. This includes coordination across levels of government, including to allow network sharing.<sup>69</sup> For example, the National Financial Framework in Tanzania piloted flexible tools like “no objection” letters to speed up permitting and enable deployment of ancillary services such as mobile money platforms, leading to a dramatic increase in mobile subscription rates.<sup>70</sup> This illustrates the role public policy plays in extending privately developed systems by lowering costs of service, aligning incentives, and creating space for business to innovate.

## Sidebar

### Market context: Why companies can—and can't—act

Even when companies possess the capabilities—technological know-how, distribution networks, customer relationships, and others—and desire to tackle a societal issue, that doesn't guarantee action will follow. The missing piece is often context, meaning the market environment that determines whether corporate efforts can be viable, scalable, and sustained.

Market context shapes whether companies can address societal issues, which generally depends on the purchasing power of end consumers, governments, or other actors—in other words, who pays—and how products and services typically reach beneficiaries, or what degree of intermediation is needed. In other words, it is a question of who or what delivers. A company can innovate to reduce the cost of a clean cooking stove but have little impact without an NGO or government agency to subsidize, deliver, and support adoption in rural households that could benefit.<sup>1</sup> As this example illustrates, the two factors are related: In lower-income regions, more intermediation is often needed. At the same time, countries choose different market structures, and even two high-income countries might differ in the degree to which their public sector is involved in questions of who pays and who or what delivers.<sup>2</sup>

A useful framework for thinking about the market context in which companies would address societal issues is therefore

the intersection of household purchasing power and degree of intermediation by NGOs, governments, or other companies shaped by market structure (Exhibit 11). We segment market contexts based on household consumption levels across three economic categories, “exiting poverty,” “accelerating empowerment,” and “transforming mature systems,” corresponding to the three segments defined by the extreme-poverty and empowerment lines.<sup>3</sup> Any given issue could arise in each market context, but they are correlated as we discuss in chapter 4.

#### Exiting poverty

Exiting poverty contexts offer few business opportunities without some type of intermediation. Households in these markets are less likely to participate in formal product and labor markets and typically are in low-income economies. Companies can develop technologies to reduce the costs of addressing issues in this category, but they may additionally need to join coalitions that align financing, the necessary product or service, and delivery. In other words, both affordability and access are critical challenges that companies must overcome to accelerate progress in these contexts. For example, Grundfos developed an off-grid water pump, which it sells to governments and NGOs to support remote areas with limited access to electricity.<sup>4</sup> Similarly, Husk Power Systems is installing minigrids in Nigerian households that lack electricity, a project that is part of Nigeria's Electrification Program and supported by the World Bank and other institutions. Under this initiative, minigrid developers receive performance-based grants for each household they connect.<sup>5</sup>

In other words, Nigeria and the World Bank decided to make it possible for these developers to do business that also delivers societal benefits.

#### Accelerating empowerment

In an accelerating-empowerment context, the focus is less on the challenge of delivering solutions needed beyond the reach of existing public and market systems and more on expanding those systems. Affordability also is a challenge in this context, but companies typically can operate through these systems to deliver products and services. Whether delivery comes through public procurement systems or decentralized markets depends on the country and the issue. For example, increasing financial inclusion and affordable housing more often occur through markets (albeit highly regulated ones) than does infrastructure, which typically comes to life when a government decides it is needed. Healthcare is often delivered by a complex mix of both, but across all 18 issues, context is country specific. Grab Holdings in Southeast Asia and GCash, a payment app in the Philippines, illustrate how companies can thrive in these environments by reducing the costs of service to connect underserved consumers with financial services, expanding financial inclusion.<sup>6</sup>

#### Transforming mature systems

The context of transforming mature systems is more common in high-income economies but also is found in modern cities in middle-income economies. Thus, the challenge of delivering innovative products and services is generally not about the reach of public and market systems at all, but rather about altering long-standing systems that have served

<sup>1</sup> Yabei Zhang, Laurent Durix, and Voravate Tuntivate, *Incentivizing a sustainable clean cooking market: Lessons from a results-based financing pilot in Indonesia*, World Bank, 2018.

<sup>2</sup> Peter A. Hall and Daniel W. Gingerich, “Varieties of capitalism and institutional complementarities in the political economy: An empirical analysis,” *British Journal of Political Science*, July 2009, Volume 39, Number 3.

<sup>3</sup> For more on how these lines are defined and the portion of households in the different categories by country, see *From poverty to empowerment: Raising the bar for sustainable and inclusive growth*, McKinsey Global Institute, September 2023.

<sup>4</sup> “Solar pumping stations improve lives in remote Kashmir valley,” Grundfos, accessed June 22, 2025; “Global Water Center launches innovative East Africa water project with \$1.1 million in grants from the Grundfos Foundation and the Coca-Cola Foundation,” Global Water Center, March 19, 2025.

<sup>5</sup> “Rural energy leader Husk Power signs agreements under Nigeria Electrification Project (NEP) to electrify 7 communities with solar hybrid minigrids,” Husk Power, September 28, 2021; “Nigeria Electrification Project,” World Bank, accessed June 22, 2025.

<sup>6</sup> Wenlong Bian, Lin William Cong, and Yong Ji, *The rise of e-wallet super-apps and buy-now-pay-later*, National Bureau of Economic Research, NBER working paper number 33178, November 2024.

## Market context: Why companies can—and can't—act

(continued)

populations well but now struggle with an accumulation of environmental externalities like biodiversity loss and greenhouse gas emissions, for example,

or the rise in noncommunicable diseases that reflects shifting demographics.<sup>7</sup> For example, Tony's Chocolonely operates in the global chocolate market and has differentiated itself by restructuring its cocoa bean supply chain to eliminate deforestation and biodiversity loss.<sup>8</sup> Similarly, IKEA and Herman Miller, furniture companies selling established products, have voluntarily committed

to buy large shares of their wood and paper from Forest Stewardship Council-certified suppliers, a step that helps establish industry-wide norms for sustainable forestry.<sup>9</sup> These examples illustrate how, even where markets are mature, a company can redefine how a product is produced and thereby eliminate an externality.

Exhibit 11

### Business opportunities to address societal issues are shaped by the level of economic development and market intermediation.

#### Examples of actions companies could take

	<b>Exiting poverty</b> <i>Less developed, low-income markets</i>	<b>Accelerating empowerment</b> <i>More developed, middle-income markets</i>	<b>Transforming mature systems</b> <i>Highly developed, high-income markets</i>
<b>High</b> ↑ <b>Level of intermediation</b> ↓ <b>Low</b>	Example issue: Lack of access to water and sanitation Typical customer: Nongovernmental organization Company action: Sell cheaper and more advanced drilling equipment to reduce costs of drilling boreholes in rural areas	Example issue: Inadequate housing Typical customer: Government Company action: Build houses with modular construction for government-financed housing that consumers pay for in installments	Example issue: Noncommunicable diseases Typical customer: Government healthcare provider Company action: Sell an innovative treatment that can reduce recovery periods
	Example issue: Lack of access to basic electricity Typical customer: Consumer Company action: Produce affordable solar lanterns with pay-as-you-go models	Example issue: Lack of access to financial services Typical customer: Consumer Company action: Develop apps that offer banking services on top of other services like food delivery	Example issue: Biodiversity loss Typical customer: Consumer Company action: Produce food products made from ingredients grown with regenerative agricultural techniques

Source: McKinsey Global Institute analysis

McKinsey & Company

<sup>7</sup> For more, see *Dependency and depopulation? Confronting the consequences of a new demographic reality*, McKinsey Global Institute, January 2025.

<sup>8</sup> "Tony's Chocolonely: A holistic approach to sustainable chocolate," International Institute for Environment and Development, May 2024.

<sup>9</sup> "The wood we use," IKEA, accessed June 22, 2025; "Forest Stewardship Council chain of custody certification," Herman Miller, accessed June 22, 2025.

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The examples in this chapter illustrate the many ways in which companies find business opportunities to help society under many different circumstances—as well as the structural similarities in advancing innovation and scaling or making business models work in underdeveloped markets. In some cases, companies that see opportunities to address a societal issue can act immediately. In others, society must make decisions about funding, regulation, and coordination that can shape the policy interventions needed to adjust those conditions and make private-sector participation possible. Given the sustained effort that progress requires, the question of where companies that have decided to tackle a societal issue can focus becomes critical, which we turn to next.



# A company-level view: 'Horses for courses'

In this chapter, we assess whether large companies can play a small or large role in addressing societal issues and which types of companies are best suited to tackle each one. The analysis finds that most industries can make a big difference on just one to three issues—a limitation that highlights the specialized nature of the technologies and business models needed.

## **A narrow focus with the right collaboration and time frames can enable companies to meet business and societal goals**

As illustrated by the historical examples previously discussed, companies can accelerate progress on societal issues with innovation and scaling to reduce costs but often run into underlying obstacles specific to market contexts, such as limited purchasing power of households in need, and the challenges of distribution, financing, behavioral norms, and regulation. Overcoming these challenges relied on a yin and yang of policy adjustment to orchestrate actors and apply public resources met by bold company moves. Society's role was pivotal in creating the business conditions that created opportunities for companies.

For their part, companies may fall short in this iterative dynamic due to several common factors. For example, they may overextend themselves by taking on too many issues, diluting their impact at best and confusing their strategy at worst. Overextension may have contributed to current concerns that companies are placing the interests of society over those of their stakeholders. Then there are obstacles to effective solutions that can only be overcome in partnership with other organizations and institutions, which companies that are wired to compete often find hard to achieve and so initiatives are poorly executed or sustained. And corporate time horizons can be quite short, limiting investment in opportunities with business and societal rewards expected to materialize over a long period.

In any case, companies need not—or should not—address all societal issues. Companies deciding whether and how to play a role can benefit from assessing three criteria related to capabilities and incentives:

1. **Capabilities fit.** Can a company's existing products, services, or supply chains be directed to resolving a specific issue? Does the company have the right R&D, distribution, or operations infrastructure or potential to create or deliver solutions at scale?
2. **Economic viability.** Is there a market-based pathway to delivery? This pathway might include consumer demand, public procurement, or philanthropic funding. Many underprovision issues exist in contexts in which end users cannot pay directly, so business involvement depends on third-party support.
3. **Regulatory and political environment.** Beyond funding, what policies, standards, or incentives enable (or block) business participation? Some issues require policy clarity, streamlined permitting, or cross-sector coordination.

When these three factors align, they create the foundation for an approach we call “horses for courses” because it defines the best way that companies—the horses—can best bring to bear their innovation and scaling capabilities if matched to the appropriate issue, or the course.<sup>71</sup> This approach is like any other business opportunity but may require longer time horizons or plugging into coalitions of other businesses, NGOs, philanthropy, and government when the questions of who pays and who delivers are challenging.

We have explored how large companies (those with annual revenues exceeding \$1 billion) can apply this approach because they have outsize impact when it comes to innovation, scaling, convening, and setting norms for the business community more broadly, the very capabilities that propel them into society’s spotlight.

## Enlisting company capabilities to address 18 societal issues

To be more systematic, we selected 18 societal issues drawn from long lists like the UN Sustainable Development Goals and ESG metric and rating agencies. Our choices are representative of the variety of issues companies are asked to address, analytically tractable, and addressable by companies via their businesses, not just their influence (see sidebar “Selecting 18 societal issues to analyze for this report”).

Our analysis of what’s required to address each of the 18 issues finds that large companies have capabilities today to provide about 30 percent of the total interventions needed to achieve the accelerated trajectory, roughly equal to their share of global GDP. In each case, we assessed the industries with the products or operations most closely linked to interventions needed to address an issue, using two distinct approaches. For underprovision issues, we assumed that what companies in an industry are achieving today is a rough proxy for the share of the difference between the baseline and accelerated trajectories these companies could feasibly address in the future. For environmental externalities, we considered which industries will face the biggest challenge to their business models if progress is accelerated to reduce those externalities—in other words, for example, the companies in an industry generating an externality in the form of Scope 1 emissions or deforestation.

Of course, solutions to externalities may come from industries that aren’t producing the externality today, for example, renewable energy, and for underprovision issues, an industry’s share of a solution could change. After all, our premise is that innovation and scaling capabilities could evolve and increase the impact of companies. Nonetheless, the analysis of patterns today provides a useful proxy for gauging potential company impacts.

### Sidebar

#### Selecting 18 societal issues to analyze for this report

**We compiled** a list of more than 290 issues, combining the lists of four well-known providers of ESG metrics lists—MSCI, the Sustainability Accounting Standards Board, the Global Reporting Initiative, and Sustainalytics—and the UN Sustainable Development Goals (SDGs) (Exhibit 12). Eighty of these issues were primarily political in nature, such as those related to migration policies, reduction

in trade restrictions, right to identity, and policy inputs that cannot be measured as societal outcomes. Eliminating the political issues left 210 issues, 57 of which relate to direct corporate stakeholders (for example, workforce training). We excluded these from our analysis because they have been covered in previous MGI reports.

We then excluded an additional 27 issues for which establishing a reliable baseline is too difficult. Absent a baseline, it is impossible to define what constitutes “addressing an issue” and, therefore, to define a comparative accelerated trajectory for which we could analyze

costs and other obstacles quantitatively. Examples of issues in this group include enhancing research capabilities, increasing business resiliency, and increasing supply chain resiliency. We also eliminated nine issues categorized as tail risks, for example, asteroid strikes, due to the very difficult nature of estimating risks, costs, and impacts.

We consolidated the remaining 117 issues to eliminate overlaps, which unsurprisingly were prevalent across the lists, and arrived at a focused set of 18 societal issues. Examples of overlaps we consolidated include four issues

## Selecting 18 societal issues to analyze for this report

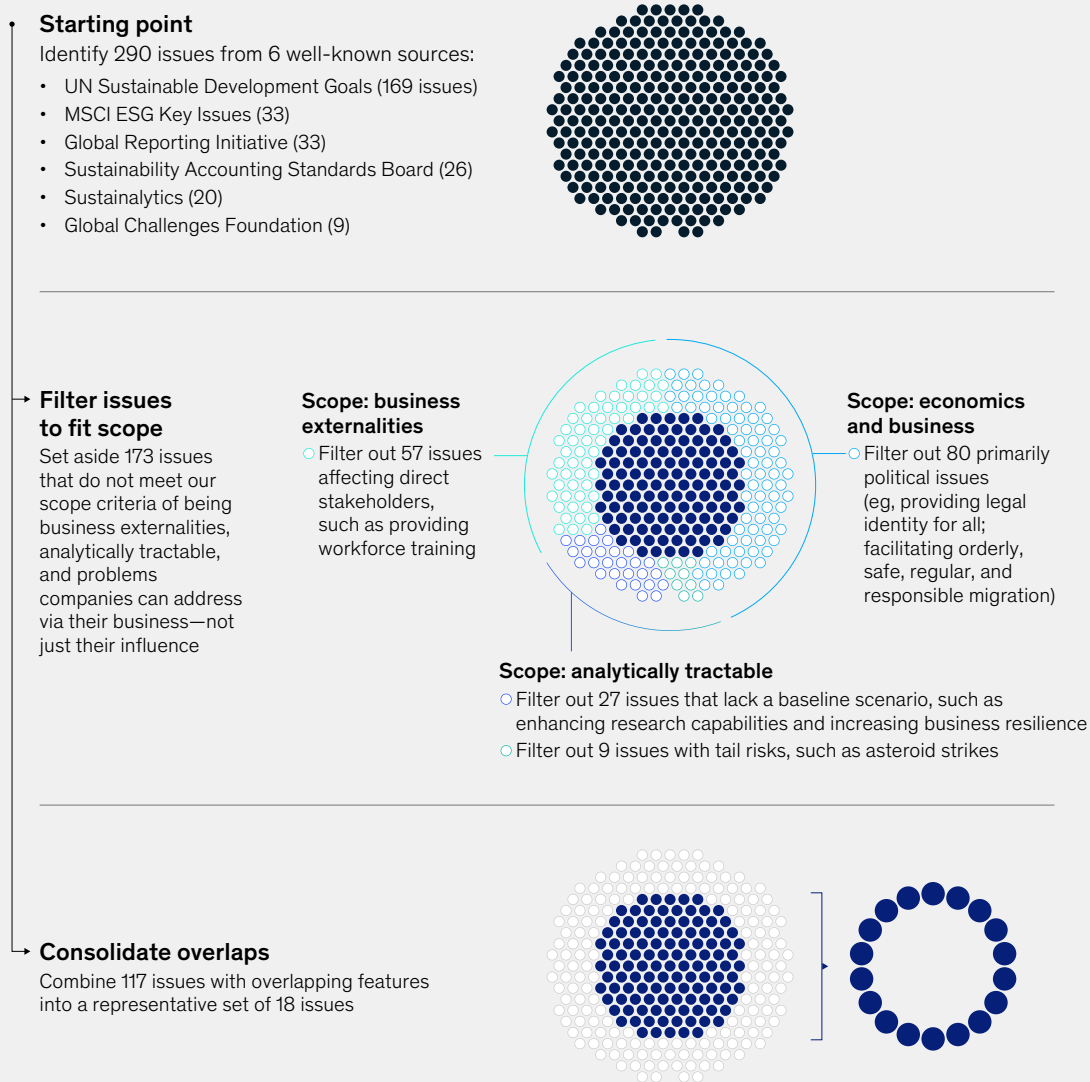
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from the SDGs and one from MSCI that relate to early-childhood malnutrition and 22 issues related to greenhouse gases and carbon emissions that appeared on all of our source lists. Of the 18 issues selected for analysis, four are environmental harms that arise from

negative externalities, and 14 arise from the underprovision of essential goods and services. Our list of 18 issues is not comprehensive, but it is expansive and representative enough to illustrate an approach that goes beyond ESG.

Exhibit 12

### Selection methodology for 18 societal issues that businesses could address arise from externalities and are tractable.



Source: McKinsey Global Institute analysis

McKinsey & Company

That potential varies widely, depending on the issue (Exhibit 13). Large companies can deliver a higher share of benefits linked to addressing health and infrastructure issues, even if the costs of intervention are covered by public funding, while their potential to improve access to education and reduce lead poisoning is much smaller. The public and social sectors and small or informal businesses, which can be less compliant with regulations, typically play bigger roles in addressing those issues. Overall, the industry shares of the total interventions needed to achieve the accelerated trajectory tend to be higher for the underprovision issues we studied than for the environmental externalities. In the case of greenhouse gas emissions, biodiversity loss, and outdoor air pollution, the large-company shares are about equal to the 30 percent share of GDP large companies account for.

Exhibit 13

## Large companies can have a bigger impact on most underprovision issues than on negative externalities.

**Large-company market activity share of the expenditure required to resolve each issue,<sup>1</sup> %**

### Issues resulting from negative business externalities

Greenhouse gas emissions	26
Biodiversity loss	25
Outdoor air pollution	18
Lead poisoning	2

### Issues arising from underprovision of goods and services

Lack of access to basic electricity	64
Mental health disorders	64
Lack of access to water and sanitation	62
Communicable diseases	62
Lack of access to financial services	61
Noncommunicable diseases	55
Lack of access to telecommunications and the internet	51
Maternal and neonatal health disorders	43
Inadequate transport and mobility infrastructure	42
Early-childhood malnutrition	41
Indoor air pollution	32
Inadequate housing	30
Gender workforce gap	16
Lack of access to and low quality of education	7

<sup>1</sup>Large companies are defined as having more than \$1 billion in revenue. Their share of what's needed to address an issue is calculated by first identifying which industries have capabilities to resolve an issue (company data and industry split) and then identifying the large-company share of those industries. For externalities, the analysis calculates the share of emissions or deforestation attributed to large companies.

Source: OECD; McKinsey Global Institute Companies and Economy data set; McKinsey Global Institute analysis

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## Matching issues to industries

Typically, just a few industries are in a position to significantly address an issue. In the case of 12 of the 18 issues, just three industries out of 69 could deliver at least three-fourths of the large-company share of impact (Exhibit 14). For example, pharmaceutical companies and healthcare providers are uniquely positioned to address four issues—communicable diseases, noncommunicable diseases, mental disorders, and maternal and neonatal disorders—given their expertise in medical research, innovation, and patient care.<sup>72</sup> The number of industries needed for the health interventions we analyzed are especially concentrated because the required interventions are highly specialized and large companies represent a large share of these industries. Some industries could have an additional impact on noncommunicable diseases, particularly mental disorders, by addressing root causes that aren't included here (see sidebar “The treatment of health issues”).

Similarly, companies in the utilities and construction and manufacturing industries have most of the required capabilities to address infrastructure gaps, including specialized expertise, regulatory mandates, and economies of scale that allow them to efficiently manage large-scale projects, such as public–private partnerships. Unsurprisingly, three industries—electric utilities, electric equipment, and construction and engineering—could close most of the electric infrastructure gap with the financial support of governments.

### Sidebar

#### The treatment of health issues

**Many global health issues** have been disproportionately created—and can be disproportionately resolved—outside the healthcare sector. Non-healthcare sectors, including employers across industries, play a role in reducing disease burden. The McKinsey Health Institute, for instance, found that among the 23 total modifiable drivers for health, 19 exist outside the healthcare system.<sup>1</sup> Similarly, other academic research has found that many of the health issues people face have an

origin among commercial actors beyond the healthcare system.<sup>2</sup> An example of health issues caused by non-healthcare industries is air pollution from energy, transportation, and industrial sectors, which in this report we treat as a negative externality and an opportunity for large companies to solve. Other issues, though, are the result of unhealthy products (for example, unhealthy food, alcohol, or tobacco), and much of the health burden therefore falls on the consumer.

The McKinsey Health Institute analyzed six of the 23 modifiable drivers of health on which employers can have an impact

that could optimize employee health and well-being and that could have an economic value between \$3.7 trillion and \$11.7 trillion.<sup>3</sup> This potential is a strong incentive for companies to focus on how they can move the needle on those six drivers—social interaction, mindsets and beliefs, productive activity, stress, economic security, and sleep—among their employees.

In this report, issues related to existing customers and employees are considered direct stakeholder issues, critical to societal impact but outside the scope of our analysis.

<sup>1</sup> Lars Hartenstein and Tom Latkovic, “The secret to great health? Escaping the healthcare matrix,” McKinsey Health Institute, December 20, 2022.

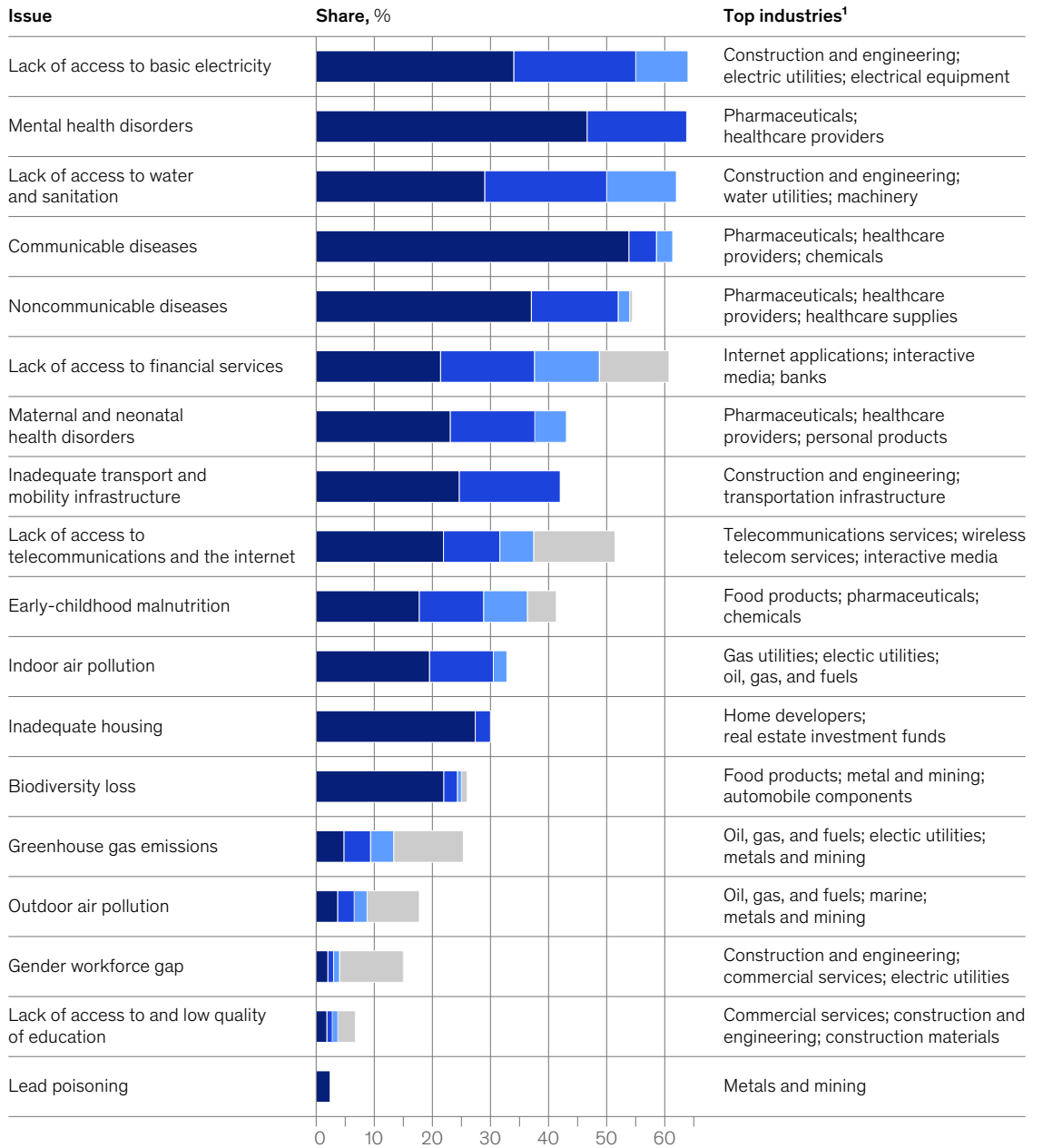
<sup>2</sup> “Series: Commercial determinants of health,” *The Lancet*, March 2023.

<sup>3</sup> Jacqueline Brassey, Lars Hartenstein, Barbara Jeffery, and Patrick Simon, “Working nine to thrive,” McKinsey Health Institute, March 13, 2024.

## Relatively few industries can contribute significantly to resolving each issue.

### 3 industries with the greatest share of large-company potential to resolve each issue

Industry with: ■ Largest potential ■ 2nd largest ■ 3rd largest ■ Large companies outside top 3 industries



<sup>1</sup>To avoid double counting, only the most relevant step in the value chain was used to determine the top industries that could contribute to resolving an issue. Thus, downstream or upstream industries are not considered in this analysis but still have a vital role to play.  
Source: McKinsey Global Institute analysis

Other issues among the 18 require action by more industries, given the interventions needed. For instance, several types of interventions are needed to address outdoor air pollution, each linked to a different industry that can reduce emissions of sulfur dioxide, nitric oxide, organic carbon, or black carbon. A similar logic applies to reducing greenhouse gas emissions and reducing the gender workforce gap, issues that are agglomerations of many challenges and so require the capabilities of many different industries.<sup>73</sup> And improving education requires resources such as buildings, transportation, teacher salaries, textbooks, and technology, each of which requires the capabilities of a different industry, public entity, or NGO. Yet even for these issues, the shares of action tend to be skewed toward a few industries (see sidebar “Methodology behind the horses-for-courses approach”).

## Matching industries to issues

Switching perspectives, each company or industry has the capabilities and skills to move the needle on innovation and scaling for just a handful of issues. Ten out of 69 industries we analyzed have capabilities that make them leading candidates to accelerate progress on four or more of the 18 issues (Exhibit 15). Forty-one of 69 industries have the capabilities needed to address one to three issues. And the capabilities of the remaining 18 industries don’t match the interventions needed to resolve the issues on our list. This analysis isn’t exhaustive, but in aggregate, this finding indicates that when it comes to societal issues, most companies are equipped to accelerate progress on only a small number.<sup>74</sup>

### Sidebar

## Methodology behind the horses-for-courses approach

**To understand** where large companies are best positioned to help solve major societal issues, we started with a simple question: What would it take to fix the problem?

For each of the 18 issues we analyzed, we reviewed existing research to identify interventions, such as delivering vaccines, expanding electricity grids, and building clean water systems. Next, we looked at which industries in the value chain for an underprovided service could innovate or scale capabilities to make a difference to the business case and societal issue. In some cases, such as expanding electricity access, we judged it to be the capital

spending that builds out power generation and distribution: Better technology or more efficient reach can bring down cost, whether for the consumer or the government. We used capital expenditures to define quantitatively what the industry role is in the horses-for-courses analysis.

For each of the health interventions, we looked at the granular intervention catalogs of MGI’s *Prioritizing health* report and assessed with industry experts which industries provided the relevant goods and services with embedded innovation and scaling potential—for example, in the case of vaccines, not only pharmaceutical companies but also providers and clinics.<sup>1</sup> In each case, we were allocating industry value added as shares of the cost of the interventions. In each case, we allocated across industries based on their share of

the needed intervention costs to go from the baseline scenario to the accelerated scenario, based on existing external and McKinsey research (described further in chapter 4).<sup>2</sup>

We also estimated how much of the relevant work could be done by large companies, defined as those with more than \$1 billion in annual revenue. We used McKinsey’s Value Intelligence Tool to analyze financial data for more than 5,000 multinationals with annual revenues exceeding \$1 billion and compared their revenue against the market size of each industry. We assessed separately what share is generally provided by the public or social sector, for example, teacher salaries that constitute a major part of spending on education.

<sup>1</sup> See *Prioritizing health: A prescription for prosperity*, McKinsey Global Institute, July 2020.

<sup>2</sup> This methodology does not account fully for the impact of innovation on some issues. For example, poor metabolic health is a huge driver of noncommunicable diseases, and the food industry, in addition to others, potentially could play a large role in that aspect of the issue. However, there are not yet proven food-related interventions at sufficient scale, so the food industry does not surface in the analysis. See *The path toward a metabolic health revolution*, McKinsey Health Institute, May 2025.

## Each industry can typically tackle just a few specific issues.

### How many of the 18 issues select industries could address



#### Construction and engineering

Lack of access to and low quality of education; lack of access to basic electricity; lack of access to telecommunications and the internet; biodiversity loss; inadequate transport and mobility infrastructure; lack of access to water and sanitation; greenhouse gas emissions; gender workforce gap



#### Electric utilities

Lack of access to and low quality of education (energy services); lack of access to basic electricity; indoor air pollution; greenhouse gas emissions; outdoor air pollution; gender workforce gap



#### Chemicals

Communicable diseases; biodiversity loss; early-childhood malnutrition (agriculture); greenhouse gas emissions; outdoor air pollution



#### Oil, gas, and consumable fuels

Lack of access to and low quality of education; indoor air pollution; biodiversity loss; greenhouse gas emissions; outdoor air pollution



#### Personal products

Communicable diseases; early-childhood malnutrition (supplements); indoor air quality; maternal and neonatal health disorders; biodiversity loss



#### Pharmaceuticals

Communicable diseases; early-childhood malnutrition; maternal and neonatal health disorders; mental health disorders; noncommunicable diseases



#### Construction materials

Lack of access to and low quality of education; biodiversity loss; greenhouse gas emissions; outdoor air pollution



#### Healthcare providers

Communicable diseases; maternal and neonatal health disorders; mental health disorders; noncommunicable diseases



#### Metals and mining

Biodiversity loss; lead poisoning; greenhouse gas emissions; outdoor air pollution



#### Technology hardware, storage, and peripherals

Lack of access to financial services; lack of access to telecommunications and the internet; biodiversity loss; lack of access to and low quality of education



#### Diversified telecommunications services

Lack of access to and low quality of education (utility and communication services); lack of access to financial services; lack of access to telecommunications and the internet



#### Food and staples retailing

Biodiversity loss; lack of access to and low quality of education; lack of access to financial services



#### Food products

Biodiversity loss; early-childhood malnutrition; greenhouse gas emissions



#### Banks

Lack of access to and low quality of education (finance for construction and operations); lack of access to financial services



#### Commercial services and supplies

Lack of access to and low quality of education (environmental and facilities services); gender workforce gap



#### Diversified consumer services

Lack of access to and low quality of education (training programs); gender workforce gap



#### Gas utilities

Lack of access to and low quality of education; indoor air pollution



#### Healthcare equipment and supplies

Noncommunicable diseases; indoor air pollution

<sup>1</sup>Lists of industries and issues are not exhaustive. Industries most capable of addressing greenhouse gas emissions and outdoor air pollution were selected based on leading polluters.  
Source: McKinsey Global Institute analysis

## Each industry can typically tackle just a few specific issues.

### How many of the 18 issues select industries could address (continued)



Source: McKinsey Global Institute analysis

McKinsey & Company

### Potential impact of a focused approach

The flip side of focusing on a few issues is that impact can be large relative to an industry's current market size. For example, healthcare providers generate just 4 percent of revenues across large companies but could account for 35 percent of the progress to improve maternal and neonatal health, 25 percent to reduce noncommunicable diseases, 25 percent to improve mental health, and 8 percent to reduce communicable

diseases (Exhibit 16). Another example is the food products industry, which accounts for 3 percent of large-company revenue yet could account for 55 percent and 45 percent of the progress to reduce biodiversity loss and early-childhood malnutrition, respectively.

Exhibit 16

**Each of these example industries has an outsize impact compared with its share of revenue on certain issues.**

Example industry's share of all large companies' revenue, % ▶	Healthcare providers and services 4	Construction and engineering 3	Food products 3	Electric utilities 3	Pharmaceuticals 2	Semi-conductors 1
	▶ Example industry's share of large-company potential to resolve each issue, % ▶					
Lack of access to basic electricity		55		35		
Early-childhood malnutrition			45		25	
Maternal and neonatal health disorders	35				55	
Indoor air pollution				35		
Lack of access to water and sanitation		45				
Lack of access to and low quality of education		15		1		
Lack of access to telecommunications		1				
Inadequate housing						
Inadequate transport/mobility infrastructure		60				
Communicable diseases	10				90	
Lack of access to financial services						
Outdoor air pollution	<1	<1	<1	10	<1	<1
Lead poisoning						
Gender workforce gap	2	30		15	3	
Noncommunicable diseases	25	<1	<1	<1	65	
Biodiversity loss		3	55			
Mental health disorders	25				75	
Greenhouse gas emissions	<1	3	3	20	<1	<1

Note: Larger percentages have been rounded to the nearest 5% for simplicity, while those below 5% have been left alone to ensure visibility. The absence of a circle chart in the spaces above indicates that a given industry has little to no impact on that issue. The high number for the gender workforce gap is based on the underprovision aspect, indicating a significant disparity in gender representation in these industries.  
Source: McKinsey Global Institute analysis

These impacts can also be large relative to an industry's size in dollar terms.<sup>75</sup> Take noncommunicable diseases, which account for 76 percent of deaths globally.<sup>76</sup> Reaching an accelerated trajectory would require about \$1 trillion in additional annual spending above the baseline, with roughly two-thirds of that spending going to pharmaceutical interventions. This amounts to a value opportunity equivalent to about 40 percent of the current revenues of large pharmaceutical companies and could save millions of lives. The market potential is concentrated in lower-middle- and upper-middle-income economies, which together account for 74 percent of the opportunity, with 21 percent in high-income countries and the remaining 5 percent in low-income markets.

Conversely, accelerating progress on transportation infrastructure would require about \$70 billion in additional annual investment, approximately 25 percent of which would pay for the services of construction and engineering firms that have the required capabilities. This is equal to 1 percent of current revenues for large companies in the sector. Roughly 60 percent of this opportunity lies in lower- and lower-middle-income countries. Although these value pools may seem modest in the context of overall industry revenues, they could represent significant opportunities for companies operating in or expanding into these markets and boost economic growth by improving lives and livelihoods.

By contrast, some industries don't have a prominent role in solving any issue that we studied. For example, the semiconductor industry could have little direct impact. While it can reduce outdoor air pollution and reduce greenhouse gas emissions from its operations, its share of these externalities is less than half a percent. However, the industry is one of the most significant contributors to increased productivity, which drives economic growth and prosperity, illustrating how a company that has limited exposure to specific societal issues might nonetheless indirectly have a major impact on those issues and societal well-being.<sup>77</sup>

### **Enabling roles are significant**

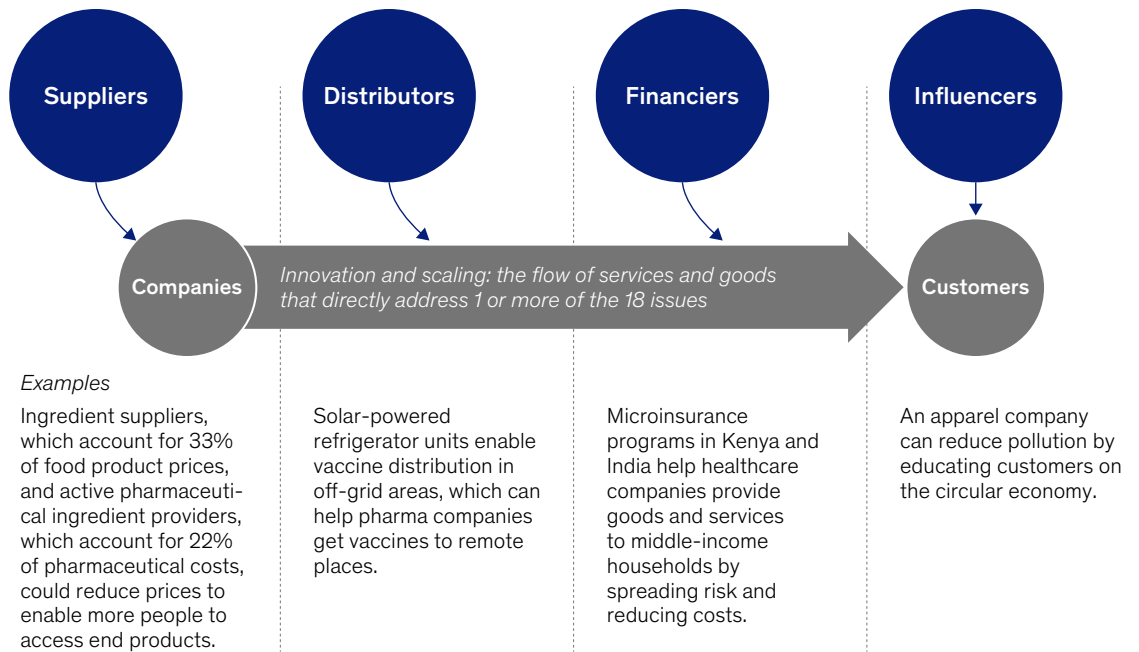
We identified which industry could play a primary role in addressing an issue—in other words, where capabilities and innovation can be transformative. But a supporting cast of suppliers, distributors, financiers, and influencers also have important roles (Exhibit 17). For example, microinsurance programs in countries like Kenya and India are helping households access better healthcare by spreading risk and reducing out-of-pocket costs.<sup>78</sup> Similarly, solar-powered refrigeration units enable vaccine distribution in remote areas, helping to close immunization gaps.<sup>79</sup> In the case of lead poisoning, opportunities for large, formal companies to address the issue may not be readily apparent, since they are not currently the main source of products with lead. But with orchestration and intermediation in low- and middle-income contexts, companies might sell unleaded alternatives or testing technology, convene actors in fragmented supply chains to monitor product safety, and raise public-health awareness through their marketing and employees.

Suppliers can have a major impact on cost when they are a large share of the value chain. For example, ingredient suppliers account for approximately a third of the price of food products, positioning them to have an impact on early-childhood malnutrition. Similarly, providers of active pharmaceutical ingredients contribute about quarter of the price of pharmaceuticals.<sup>80</sup>

More broadly, suppliers, producers, and distributors might join forces to share costs and leverage comparative strengths. For example, in the green steel industry, innovative partnership strategies are helping to address the problem of higher costs relative to traditional steel production. The HYBRIT initiative in Sweden, a vertical coalition between SSAB, LKAB, and Vattenfall, pioneered a hydrogen-based production process that spans mining, energy, and steelmaking. In 2021, its pilot plant delivered the first shipment of fossil-free steel for use in Volvo cars, demonstrating how vertically aligned partnerships can mobilize change across a supply chain when the right players commit. The pilot has produced more than 5,000 tons of steel, and LKAB plans to build commercial production facilities in 2026.<sup>81</sup> However, given the investment required and the market dynamics, a path to green steel will likely require continued iterations of innovation and coordination between the public and private sectors.

**Even if companies aren't addressing an issue directly, they could play four enabler roles.**

**4 enablers that can help companies address the 18 societal issues**



Source: McKinsey Global Institute analysis

McKinsey & Company

The horses-for-courses approach involves assessing where a company's capabilities can make a difference and how market context might enable corporate action. Accelerating progress fully might require significant public intervention to adjust the market context, but whether to do so is a societal choice, given other potential uses for funds and resources associated with orchestrating solutions. While that process requires granular, context-specific assessment, we offer a starting point at the economy level in the next chapter.



# An economy-level view: Framing societal choices

Our analysis of what it takes to accelerate resolution of an issue reveals the scale of the needed investment. Accelerating progress on all 18 issues we've analyzed would require about \$6 trillion annually to 2050, or almost three times the total profits of Fortune 500 companies in 2024—a seemingly insurmountable amount.<sup>82</sup> The economic benefits of addressing these issues outweigh the costs, but in many cases, these benefits would materialize only over decades. In principle, interventions to align market and societal returns could help, but decisions about where to intervene in markets, especially when using public resources, are societal choices. In this chapter, we analyze how the economic context of each issue could shape choices and prioritization at a granular level.

## Prevalence of issues by level of economic development

While an issue could affect households in any local market context, issues vary significantly in their prevalence across levels of income by country, as explained in chapter 1. We grouped the 18 issues into three clusters based on these patterns and labeled them by the most relevant market contexts: The exiting-poverty cluster includes issues more prevalent in low-income economies, accelerating empowerment includes issues with more prevalence in middle-income countries, and transforming mature systems includes issues that affect the global population and are particularly prevalent in high-income economies relative to other issues (for more information, see sidebar “Market context: Why companies can—and can’t—act” on page 37) (Exhibit 18).

At least a quarter of the population affected by each issue in the exiting-poverty cluster lives in one of the low-income countries that are home to just 9 percent of the global population. The most extreme example is lack of access to basic electricity: 55 percent of those without basic electricity live in low-income countries.<sup>83</sup>









































































By contrast, the five issues in the transforming mature systems cluster are prevalent across almost all income levels, including high-income economies. More than 10 percent of people living in high-income countries, which account for 19 percent of the global population, are affected by each of these issues. For example, 38 percent of greenhouse gas emissions come from high-income countries, and 53 percent from upper-middle-income countries, though geographic patterns of temperature change and physical impacts differ from emissions patterns.<sup>84</sup>

The accelerating-empowerment cluster includes the remaining issues, which largely affect those living in lower-middle- and upper-middle-income countries. Outdoor air pollution, for example, develops along an inverted U-shaped curve, because in countries where economic development is low, air pollution is minimal. As these countries get richer and their industrial output grows, outdoor air pollution increases until it reaches a tipping point relative to incomes, creating incentives for action to reduce it.<sup>85</sup> As a result, high-income countries typically have already addressed the issue.

## Issues fall into three clusters, depending on the income level of the countries in which they are most prevalent.

### Prevalence of societal issues across countries by income level

Lowest prevalence    Highest

ISSUE CLUSTER <sup>1</sup>	Countries' income level			
	Low	Lower middle	Upper middle	High
<b>Exiting poverty</b>				
Lack of access to basic electricity				
Early-childhood malnutrition				
Maternal and neonatal health disorders				
Indoor air pollution				
Lack of access to water and sanitation				
Lack of access to and low quality of education				
<b>Accelerating empowerment</b>				
Lack of access to telecommunications and the internet				
Inadequate housing				
Inadequate transport and mobility infrastructure				
Communicable diseases				
Lack of access to financial services				
Outdoor air pollution				
Lead poisoning				
<b>Transforming mature systems</b>				
Gender workforce gap				
Noncommunicable diseases				
Biodiversity loss				
Mental health disorders				
Greenhouse gas emissions <sup>2</sup>				

<sup>1</sup>We clustered the issues using a low-income cutoff and a high-income cutoff.

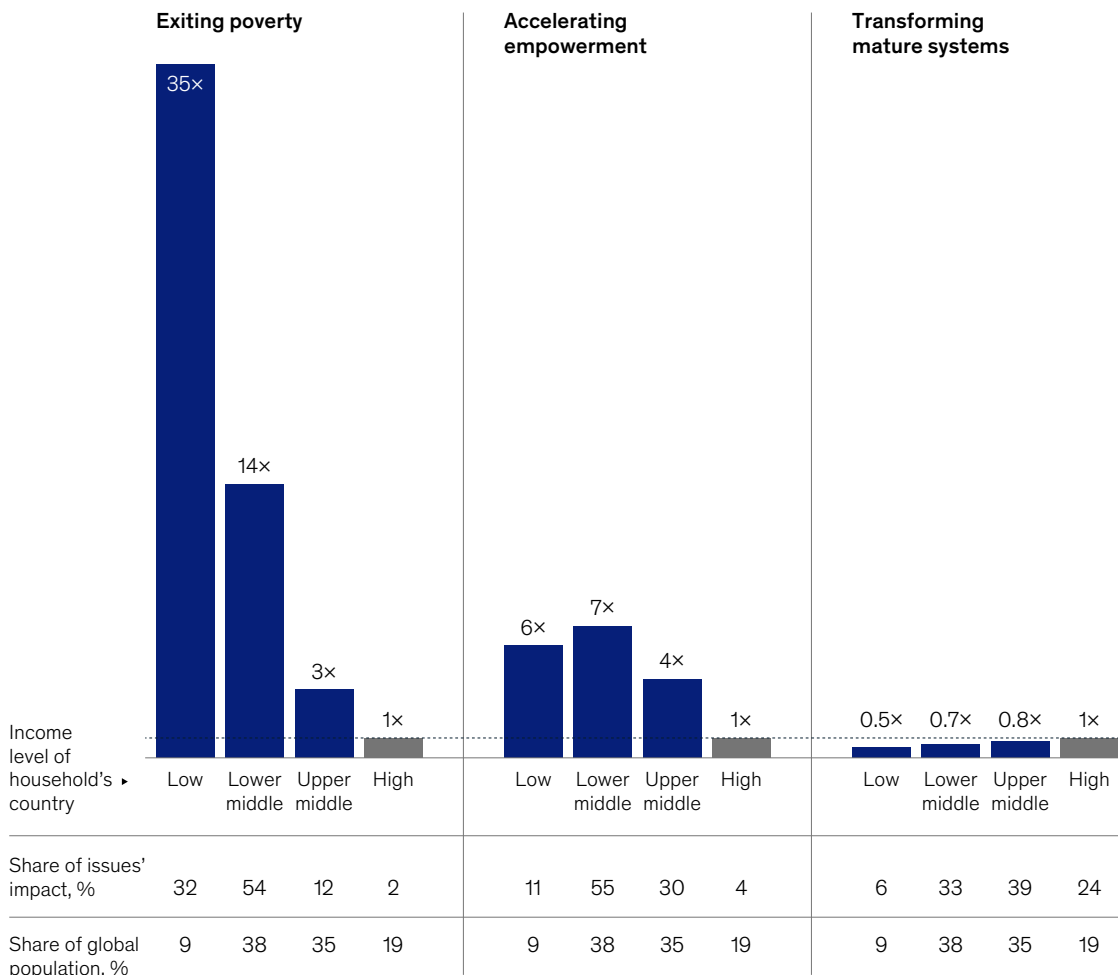
<sup>2</sup>We estimated prevalence by concentration level of greenhouse gas emissions emitted by country.  
Source: World Bank; McKinsey Global Institute analysis

McKinsey & Company

When the prevalence of an issue is normalized relative to high-income economies, the variation in its prevalence per person across country income levels becomes clear (Exhibit 19). Specifically, a household in a low-income region is 35 times more likely to experience an issue in the exiting-poverty cluster than someone living in a high-income region, six times more likely to be affected by an accelerating-empowerment issue, and 50 percent less likely to experience a mature-systems issue than a household in a high-income economy.

## The prevalence of issues across income levels differs dramatically by cluster.

Likelihood that a household is facing an issue in a given cluster relative to a household in a high-income country<sup>1</sup>



Note: Figures may not sum to 100%, because of rounding.  
<sup>1</sup>Prevalence is calculated by dividing the share of issue in each income category by the share of global population. For example, the percentage of exiting-poverty issues concentrated in low-income countries by the share of global population normalized for high-income countries equal to 1.  
 Source: World Bank; McKinsey Global Institute analysis

McKinsey & Company

### The path to prioritization

For most companies considering whether to address a societal issue, what matters to the business case is market context—how to innovate and compete when a market or intermediation is complex and evolving. A policymaker’s challenge, by contrast, is in determining what adjustments to make to smooth the course for those actions. In the context of huge aggregate costs and complex local conditions, a critical step in the approach is to granularize and prioritize these opportunities and adjustments.

Take lead poisoning.<sup>86</sup> Lead is one of the most damaging pollutants, estimated to negatively affect as many as one in every two children in low- and middle-income countries, where it is a leading cause of health problems and low educational achievement. Even in high-income countries, lead still lurks in old paint and pipes, as well as in spices and cosmetics.<sup>87</sup> Exposure to lead can cause brain damage, IQ loss,

cardiovascular and kidney damage, increased violent behaviors, and premature death. The World Bank estimates that as many as 5.5 million people die from cardiovascular disease associated with lead each year.<sup>88</sup>

Some interventions to tackle lead poisoning, such as policies to reduce lead in spices, cosmetics, and household goods, are inexpensive because they are about policy compliance, awareness, and availability of alternative products that often are no more expensive to make. The BCRs for eliminating lead are therefore high—in some cases, well above 30 times the required expenditures.<sup>89</sup> Opportunities for companies to address lead poisoning may not be readily apparent, but in low- and middle-income contexts, companies might sell unleaded alternatives or testing technology, work with other actors in fragmented supply chains to monitor product safety, and raise public-health awareness through their marketing and employees. Other interventions to reduce lead are more expensive, but companies can deploy them more directly, as in the case of mining site remediation and the replacement of lead pipes.<sup>90</sup> In short, when considering how an issue can be resolved, granularity matters.

A starting point for a cost-effectiveness-based societal perspective is to consider BCRs, scale, and time horizon to realize benefits of each issue (Exhibit 20). We reviewed existing research to collect estimates of the BCRs for the 18 issues. These estimates illustrate the wide range of potential returns across issues. For example, roughly two times investment is typical for upgrading transportation infrastructure, compared with ten to nearly 40 times for reducing early-childhood malnutrition.

While BCRs provide a broad perspective on overall cost-effectiveness, more granular views often reveal wide variation in economic returns within an issue. For instance, interventions for noncommunicable diseases differ significantly by disease type and country, which influences cost-effectiveness. Some issues, such as greenhouse gas emissions and education, each require investment exceeding \$200 billion annually to accelerate progress, and cover an especially wide range of industry- or country-specific barriers to action.<sup>91</sup>

Similarly, the time horizon over which human benefits and economic returns are realized also matters. For example, investment to address greenhouse gas emissions is front-loaded, with benefits accruing over decades—in other words, well beyond the average corporate time horizon for investment. Therefore, questions of financing and sequencing are part of the cost-effectiveness equation.<sup>92</sup>

While these metrics can help guide choices, particularly at a granular project level, they can't capture every aspect of the value of addressing these issues and others. Noneconomic factors such as increases in disability-adjusted life years (DALYs) may result in a different prioritization.

## Annual cost correlates with cluster, but two other economic factors—benefit-to-cost ratio and time horizon until benefit—do not.

### Assessment of societal issues across 4 economic factors

Low   High

ISSUE CLUSTER <sup>1</sup>	Share of affected population living in low-income countries	Annual cost to accelerate progress	Benefit-to-cost ratio	Amount of time until economic benefits are realized
<b>Exiting poverty</b>				
Lack of access to basic electricity	●	●	●	●
Early-childhood malnutrition	●	●	●	●
Maternal and neonatal health disorders	●	●	●	●
Indoor air pollution	●	●	●	●
Lack of access to water and sanitation	●	●	●	●
Lack of access to and low quality of education	●	●	●	●
<b>Accelerating empowerment</b>				
Lack of access to telecommunications and the internet	●	●	●	●
Inadequate housing	●	●	●	●
Inadequate transport and mobility infrastructure	●	●	●	●
Communicable diseases	●	●	●	●
Lack of access to financial services	●	●	●	●
Outdoor air pollution	●	●	●	●
Lead poisoning	●	●	●	●
<b>Transforming mature systems</b>				
Gender workforce gap	●	●	●	●
Noncommunicable diseases	●	●	●	●
Biodiversity loss	●	●	●	●
Mental health disorders	●	●	●	●
Greenhouse gas emissions	●	●	●	●

<sup>1</sup>We clustered the issues using a low-income cutoff and a high-income cutoff. Source: McKinsey Global Institute analysis

McKinsey & Company

Additionally, the discount rate used to calculate BCRs can shift results. We use a 5 percent rate, which is relatively high for social investments and low for corporate ones, but there's no standard—governments, companies, and academics use different benchmarks. Nonetheless, a tremendous amount of research is going into determining the cost-effectiveness of addressing societal issues and can help support transparent societal choices about public resources and policy (see sidebar “The economics of societal issues”).

Analyzing the economics of societal issues draws attention to the high overall cost and other economic determinants that stand in the way of accelerated progress. Corporate innovation and scaling capabilities can help bring costs down, but under current market conditions, progress will accelerate only so much. Societal choices then arise about whether and how to address each issue. While the benefits go far beyond economics, cost-effectiveness is a key consideration. Because the prevalence of each issue varies by country, effective prioritization requires a granular perspective. Therefore, in the next chapter, we conclude with a set of questions each business leader and policymaker can consider to determine whether the dynamic process of innovation, scaling, and policy adjustment can accelerate progress across the issues relevant to their business or economy.

Using the horses-for-courses approach, companies interested in addressing a societal issue can identify the issues for which their capabilities are relevant. They can then consider how specific projects or investments to address those issues can be business led or policy led and what a sensible sequencing might look like.

#### Sidebar

### The economics of societal issues

**Across the 18 issues** we analyzed, the total societal benefit of accelerating resolution through interventions to 2050, including residual benefits beyond 2050, is greater than the total costs of taking action. The market failures and other obstacles described in this report nonetheless stymie action. Research by others could inform an agenda to tackle these obstacles.

#### The economic costs and benefits of resolving the 18 issues

In recent years, academics and philanthropic organizations have studied benefit-to-cost ratios (BCRs) in depth, trying to measure the value of resolving societal issues. The benefits of doing

so are not always easy to measure in dollars and cents. Think about the value of reducing obesity, for example. The primary benefit is in a healthier life for someone who has lost excess weight, but measuring the knock-on effects on businesses and the economy in monetary terms is harder. Esther Duflo and other development economists have emphasized the importance of cost-effectiveness in guiding global health and poverty policy, and organizations like GiveWell use BCR-like assessments to identify high-impact donation opportunities.<sup>1</sup> Impact-weighted accounts are another example of research aimed at putting a dollar value on impact, including that made by corporate action.<sup>2</sup>

But defining a single BCR at the issue level is challenging. For one thing, most studies analyze interventions at a project level, meaning that the same issue can

have a wide range of BCRs, depending on context, implementation, and methodology (Exhibit 21).

In the case of lead poisoning, one source estimates that replacing lead service lines in Michigan would have a societal return on investment of about \$2.50 for every dollar invested.<sup>3</sup> Removing lead paint is estimated to have a BCR between 17 times and 221 times.<sup>4</sup> These variations reflect differences in the cost of delivery and the long-term economic benefits projected.

The BCRs of investments to address communicable diseases also vary. Interventions such as early detection of tuberculosis can yield BCRs as high as 40 times, while HIV prevention programs fall closer to two to three times. These differences in BCRs are driven by a mix of disease burden, intervention cost, and projected health outcomes.<sup>5</sup>

<sup>1</sup> *The GiveWell Blog*, "How GiveWell uses cost-effectiveness analyses," blog post by Catherine Hollander, June 1, 2017; Esther Duflo et al., "Comparative cost-effectiveness analysis to inform policy in developing countries," Abdul Latif Jameel Poverty Action Lab, Massachusetts Institute of Technology, December 2012.

<sup>2</sup> See "Impact management and accounting with IWAF," Impact Economy Foundation, accessed June 23, 2025.

<sup>3</sup> Corwin Rhyan et al., "Removing Michigan's lead water service lines: Economic savings, health benefits, and improved health equity," *Health Affairs*, August 2023.

<sup>4</sup> Elise Gould, "Childhood lead poisoning: Conservative estimates of the social and economic benefits of lead hazard control," *Environmental Health Perspectives*, March 2009.

<sup>5</sup> Carel Pretorius et al., "One million lives saved per year: A cost-benefit analysis of the global plan to end tuberculosis, 2023–2030 and beyond," *Journal of Benefit-Cost Analysis*, August 2023, Volume 14, Number 51; "Cost-benefit analysis of expanding HIV prevention and treatment services to female sex workers in Malawi," The Malawi Priorities Project, National Planning Commission (Malawi), Copenhagen Consensus Center, and African Institute for Development Policy, 2021.

## The economics of societal issues (continued)

### The time horizon mismatch of economic costs and benefits

Human benefits like better education and improved health, which are the primary purpose of interventions to resolve societal issues, often materialize faster than the economic benefits of resolution that might help cover the costs of addressing improving education and health issues (Exhibit 22). For example, the economic benefits of investing in childhood education materialize only over a long period of time, given that a child being educated may not join the workforce for two decades.

Long time horizons can stymie action. For one thing, just as the immediate or visible impacts of action diffused across many people are harder to identify, it can be harder to spur collective action due to a “tragedy of the horizon.”<sup>6</sup> Also, the natural solution—namely, a financial instrument to bridge the time gap—is hard to establish, given the scale, time horizon, and uncertainties in addressing a societal issue. However, progress has been made, particularly in the case of climate finance.<sup>7</sup>

### Debating social priorities

When it comes to society’s choices about which issues to address and at what pace, the wide and often indefinite range of potential benefits and challenges prompts debate. Comparative analysis can inform that debate, but this research would need to be extended in four ways.

First, issues would have to be considered more granularly, even at a project level. Some of the issues on our list of 18 are groupings of sub-issues. For instance, decarbonizing different parts of the economy requires very different solutions, and different treatments are needed to address each type of noncommunicable disease.

Second, researchers would need a means of comparing noneconomic benefits, for example, by using disability-adjusted life years (DALYs).<sup>8</sup> Many interventions for noncommunicable diseases have lower BCRs in economic terms but high benefits in DALY terms. Indeed, addressing noncommunicable diseases on an accelerated trajectory produces two-thirds of the DALY benefits across all 18 issues we analyzed. While efforts have been made to convert all noneconomic

benefits to economic ones, putting a dollar figure on, say, good health or the benefits of connectivity often is simply infeasible or even nonsensical.

Third, the discount rate used in calculating economic benefits and costs also has an impact on what issues are prioritized. Our analysis used a 5 percent discount rate, which is relatively high for social investments, but there is no consensus. The corporate rate is even higher, different countries use different discount rates to assess their policies, and some academics reject the idea of using discount rates at all to assess societal benefits like human health and well-being.<sup>9</sup>

Finally, despite our efforts to ring-fence the 18 issues individually, many of them are interconnected. For example, reducing indoor air pollution would also help lower rates of noncommunicable diseases, because air pollution is a major risk factor for lung conditions. Similarly, water management is closely linked to biodiversity, particularly in how waste management affects nutrient enrichment in plankton, which can disrupt ecological balance.<sup>10</sup>

<sup>6</sup> Mark Carney, “Breaking the tragedy of the horizon—climate change and financial stability,” Bank of England, September 2015.

<sup>7</sup> Attracta Mooney, “Climate fund hails ‘new era’ with \$500mn bond deal,” *Financial Times*, January 15, 2025.

<sup>8</sup> Some noneconomic benefits, such as supporting arts and entertainment or community development, may not be quantifiable at all.

<sup>9</sup> For additional discussion, see Christian Gollier, *Ethical Asset Valuation and the Good Society*, Columbia University Press, 2017; Christian Gollier, *Pricing the Planet’s Future: The Economics of Discounting in an Uncertain World*, Princeton University Press, 2013; *Discounting costs and benefits in economic analysis of World Bank projects*, World Bank, May 2016.

<sup>10</sup> Cecilia D’Angelo and Jörg Wiedenmann, “Impacts of nutrient enrichment on coral reefs: New perspectives and implications for coastal management and reef survival,” *Current Opinion in Environmental Sustainability*, 2014, Volume 7.

Exhibit 21

**Existing research shows a wide range of benefit-to-cost ratios, even within each issue.**

**Range of benefit-to-cost ratios for a selection of initiatives that address each issue**

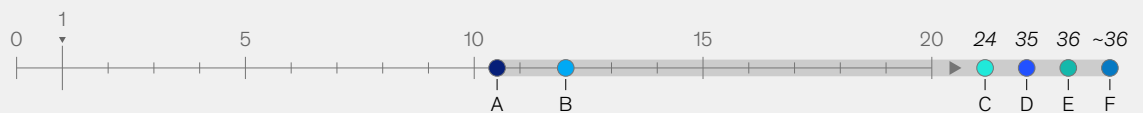
**Lack of access to basic electricity**



**A.** Providing access to electricity to remote communities in Ghana  
 Kemausuor et al., *The costs and benefits of electrifying rural Ghana*, Copenhagen Consensus Center, 2020

**B.** Strengthening infrastructure assets to make them more resilient, reducing repair costs and infrastructure disruptions  
 Hallegatte et al., *Strengthening new infrastructure assets*, World Bank, 2019

**Early childhood malnutrition**



**A.** Implementing 9 interventions to prevent stunting (including micronutrient supplements, vitamin A supplements, prophylactic zinc supplementation, etc)  
 Shekar et al., *An investment framework for nutrition*, World Bank, 2017

**D.** Promoting exclusive breastfeeding  
 Shekar et al., *An investment framework for nutrition*, World Bank, 2017

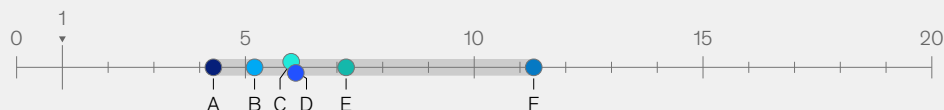
**B.** Supplementing feeding in pregnant women to prevent anemia that affects children's development  
 Shekar et al., *An investment framework for nutrition*, World Bank, 2017

**E.** Educating caregivers on appropriate feeding practices  
 Aryeetey et al., *Cost-benefit analysis of interventions to improve nutrition and health over the first 1000 days*, Ghana Priorities, Copenhagen Consensus Center, 2020

**C.** Implementing breastfeeding promotion programs  
 Aryeetey et al., *Cost-benefit analysis of interventions to improve nutrition and health over the first 1000 days*, Ghana Priorities, Copenhagen Consensus Center, 2020

**F.** Implementing 10 comprehensive interventions to tackle stunting (eg, universal salt iodization, complementary feeding, deworming)  
 Horton and Hoddinott, *Benefits and costs of the food security and nutrition targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2014

**Maternal and neonatal health disorders**



**A.** Providing family planning services and nutritional supplementation for pregnant women  
 Friberg and Weissman, *Cost-effectiveness of maternal and newborn health interventions*, Merck For Mothers and Copenhagen Consensus Center, 2020

planning, antenatal and postnatal care, skilled birth attendance, etc)  
 Black et al., eds., *Disease Control Priorities*, 3rd edition, volume 2, World Bank, 2016

**B.** Providing care during pregnancy such as regular health checkups, nutritional support, and management of pregnancy-related complications  
 Friberg and Weissman, *Cost-effectiveness of maternal and newborn health interventions*, Merck For Mothers and Copenhagen Consensus Center, 2020

**E.** Implementing comprehensive care package for pregnant women in low-income countries (including family planning, antenatal and postnatal care, skilled birth attendance, etc)  
 Black et al., eds., *Disease Control Priorities*, 3rd edition, volume 2, World Bank, 2016

**C.** Implementing 20+ interventions such as malaria prevention in pregnancy, antibiotics for sepsis/pneumonia, neonatal intensive-care unit  
*Prioritizing health*, McKinsey Global Institute, 2020

**F.** Implementing comprehensive care package for pregnant women in lower-middle-income countries (including family planning, antenatal and postnatal care, skilled birth attendance, etc)  
 Black et al., eds., *Disease Control Priorities*, 3rd edition, volume 2, World Bank, 2016

**D.** Implementing comprehensive care package for pregnant women in upper-middle-income countries (including family

Exhibit 21 (continued)

Range of benefit-to-cost ratios for a selection of initiatives that address each issue (continued)

Indoor air pollution



- A. Ensuring universal adoption of improved cookstoves**  
Irfan, Cameron, and Hassan, "Interventions to mitigate indoor air pollution," *PLOS One*, 2021
- B. Replacing all solid-fuel stoves with biogas stoves**  
Irfan, Cameron, and Hassan, "Interventions to mitigate indoor air pollution," *PLOS One*, 2021
- C. Replacing all combustion stoves with electric stoves**  
Irfan, Cameron, and Hassan, "Interventions to mitigate indoor air pollution," *PLOS One*, 2021

- D. Replacing all solid-fuel stoves with piped natural gas stoves**  
Irfan, Cameron, and Hassan, "Interventions to mitigate indoor air pollution," *PLOS One*, 2021
- E. Replacing all solid-fuel stoves with liquefied petroleum gas stoves**  
Irfan, Cameron, and Hassan, "Interventions to mitigate indoor air pollution," *PLOS One*, 2021

Lack of access to water and sanitation



- A. Running "total sanitation campaigns" to encourage toilet adaptation and use**  
Whittington et al., "Setting priorities, targeting subsidies among water, sanitation, and preventive health interventions in developing countries," *World Development*, 2012
- B. Strengthening new infrastructure assets**  
Hallegatte et al., *Strengthening new infrastructure assets*, World Bank, 2019

- C. Improving drinking-water quality at point of use with biosand filters**  
Whittington et al., "Setting priorities, targeting subsidies among water, sanitation, and preventive health interventions in developing countries," *World Development*, 2012

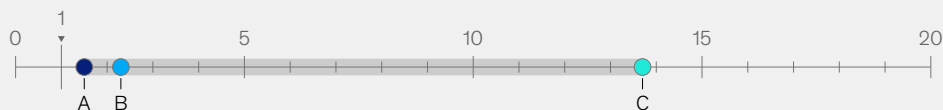
Lack of access to and low quality of education



- A. Investing in primary, secondary, and tertiary education**  
Montenegro and Patrinos, *Comparable estimates of returns to schooling around the world*, World Bank, 2014

- B. Investing in early-childhood development "Learning Clubs" in Vietnam**  
Baek et al., "Economic returns on investing in early childhood development in Vietnam," *BMC Health Services Research*, 2025

Lack of access to telecommunications and the internet



- A. Increasing availability of broadband services and providing digital skills training in the Dominican Republic**  
Program to Improve Connectivity for Digital Transformation in The Dominican Republic, Inter-American Development Bank
- B. Strengthening new infrastructure assets**  
Hallegatte et al., *Strengthening new infrastructure assets*, World Bank, 2019

- C. Increasing mobile broadband penetration to 50% in 5 years and installing an undersea cable to support the increased traffic**  
Koutroumpis, *The benefits of government digitization and improved mobile access in Haiti*, Haiti Priorise, Copenhagen Consensus Center, 2017

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Exhibit 21 (continued)

Range of benefit-to-cost ratios for a selection of initiatives that address each issue (continued)

Inadequate housing



**A. Implementing a “Housing First” initiative: providing housing and support services to the homeless**

Housing First Program, National Low Income Housing Coalition

**B. Allowing households to construct or enhance their own houses with financial assistance**

Kundu and Kumar, *Cost-benefit analysis of housing vertical interventions for urban poor in large cities of Rajasthan*, Rajasthan Priorities, Copenhagen Consensus Center, 2017

**C. Redeveloping existing slum areas into formal housing for residents**

Kundu and Kumar, *Cost-benefit analysis of housing vertical interventions for urban poor in large cities of Rajasthan*, Rajasthan Priorities, Copenhagen Consensus Center, 2017

Inadequate transport and mobility infrastructure



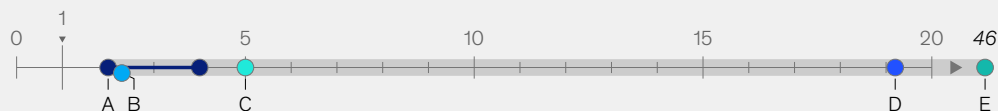
**A. Building a bridge connecting less developed and more developed regions of Bangladesh**

Rahman and Khondker, *Economic cost-benefit analysis: Padma Bridge project*, Bangladesh Priorities, Copenhagen Consensus Center, 2016

**B. Strengthening new infrastructure assets**

Hallegatte et al., *Strengthening new infrastructure assets*, World Bank, 2019.

Communicable diseases



**A. Using interventions that already exist today to reduce the global disease burden**

*Prioritizing health*, McKinsey Global Institute, 2020

**B. Providing HIV prevention and treatment services to female sex workers in Malawi**

*Cost-benefit analysis of providing HIV prevention and treatment services to female sex workers in Malawi*, Copenhagen Consensus Center, 2021

**C. Deploying a surveillance system to identify and facilitate investigation of foodborne illness outbreaks**

de Vries et al., “The economics of improving global infectious disease surveillance,” *BMJ Global Health*, 2021

**D. Preventing HIV by increasing awareness, testing, counseling, and prophylaxis**

Isah et al., “Cost-benefit analysis of prevention of mother-to-child transmission of HIV services,” *Journal of Pharmaceutical Health Services Research*, 2021

**E. Investing in services to end tuberculosis**

Pretorius et al., “One million lives saved per year,” *Journal of Benefit-Cost Analysis*, 2023

Lack of access to financial services



**A. Providing unconditional cash transfers to beneficiaries in Ethiopia**

Taylor, *Cost benefit analysis of cash transfer programme*, University of California, Davis, 2016

**B. Providing unconditional cash transfers to beneficiaries from the International Rescue Committee**

*Cost efficiency analysis: Unconditional cash transfer programs*, International Rescue Committee, 2016

**C. Expanding microfinance to underserved populations in Ghana**

Adjasi, *Comparative cost-benefit analysis of four poverty reduction approaches in Ghana*, Ghana Priorities, Copenhagen Consensus Center, 2020

Exhibit 21 (continued)

Range of benefit-to-cost ratios for a selection of initiatives that address each issue (continued)

Outdoor air pollution



**A.** Regulating air pollution through various pollution controls (interquartile range)

Wang et al., "The costs, health and economic impact of air pollution control strategies," *Global Health Research and Policy*, 2024

**B.** Reducing vehicle pollutants through vehicle and fuel regulations as part of the Clean Air Act

Ross, Chmiel, and Ferkol, "The impact of the Clean Air Act," *The Journal of Pediatrics*, 2012

**C.** Reducing vehicle pollutants through vehicle and fuel regulations as part of the Clean Air Act

Benefits and costs of the Clean Air Act 1990–2020, the second prospective study, US Environmental Protection Agency, April 2011

Lead poisoning



**A.** Replacing lead-containing water service lines in Michigan

Miller, *The estimated benefits of reducing lead exposure*, Low Institute, 2023

**B.** Removing lead paint in homes

Gould, "Childhood lead poisoning," *Environmental Health Perspectives*, 2009

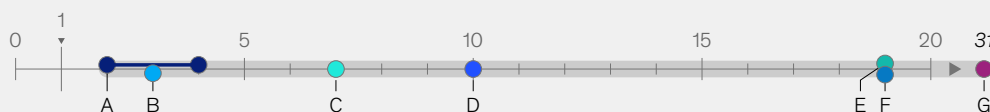
Gender workforce gap



**A.** Addressing gender equality through education, unmet need for family planning, maternal mortality, financial inclusion, digital inclusion, and unpaid care work

Delivering the power of parity, McKinsey Global Institute, 2016

Noncommunicable diseases



**A.** Using existing interventions to reduce the global disease burden

Prioritizing health, McKinsey Global Institute, 2020

**B.** Putting those at high risk of cardiovascular disease on a multidrug regimen

Nugent, *Benefits and costs of the non-communicable disease targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2017

**C.** Scaling up WHO's "Best Buy" noncommunicable disease interventions in low- and middle-income countries

Saving lives, spending less, World Health Organization, 2018

**D.** Increasing price of tobacco products by at least 125% through taxation

Nugent, *Benefits and costs of the non-communicable disease targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2017

**E.** Reducing the salt content in manufactured foods by at least 30%

Nugent, *Benefits and costs of the non-communicable disease targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2017

**F.** Accelerating WHO's "Best Buy" noncommunicable disease interventions in low- and middle-income countries with additional clinical interventions

Watkins et al., "NCD Countdown 2030," *The Lancet*, 2022

**G.** Providing aspirin to 75% of patients at the onset of an acute myocardial infarction

Nugent, *Benefits and costs of the non-communicable disease targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2017

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# The economics of societal issues (continued)

Exhibit 21 (continued)

## Range of benefit-to-cost ratios for a selection of initiatives that address each issue (continued)

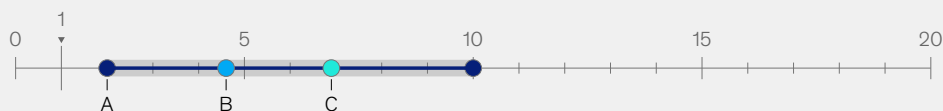
### Biodiversity loss



**A. Increasing protected areas to 17% of terrestrial land area**  
 Markandya, *Benefits and costs of the biodiversity targets for the post-2015 development agenda*, Copenhagen Consensus Center, 2014

**B. Rebuilding global marine fisheries**  
 Sumaila et al., "Benefits of rebuilding global marine fisheries outweigh costs," *PLOS One*, 2012

### Mental health disorders



**A. Preventing mental illness and intervening early**  
 Fact sheet: *The cost benefits of early intervention in mental illness*, Steinberg Institute

**C. Screening and treatment of depression**  
 Nonvignon et al., *Benefit-cost analysis of mental health interventions in Ghana*, Ghana Priorities, Copenhagen Consensus Center, 2020

**B. Screening and treatment of anxiety disorders**  
 Nonvignon et al., *Benefit-cost analysis of mental health interventions in Ghana*, Ghana Priorities, Copenhagen Consensus Center, 2020

### Greenhouse gas emissions



**A. Reducing greenhouse gases in line with the Paris climate agreement targets**  
 Markandya, "Health co-benefits from air pollution and mitigation costs of the Paris Agreement," *The Lancet Planetary Health*, 2018

**B. Weatherizing homes for eligible households (including health and safety benefits)**  
*Weatherization Assistance Program: National evaluations*, US Department of Energy, 2018

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# The economics of societal issues (continued)

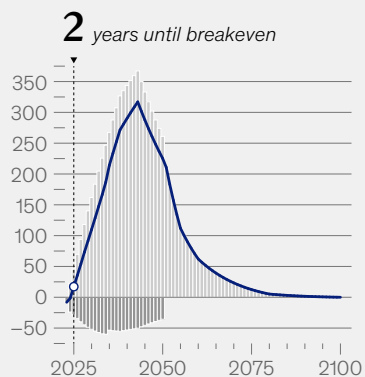
Exhibit 22

## Addressing many societal issues can entail high front-loaded costs, even when eventual economic benefits of resolution are substantial.

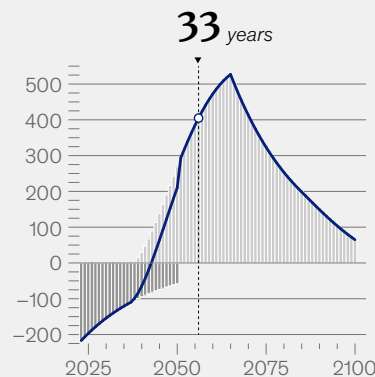
Illustrative annual balance of expenditures and residual benefits for 3 societal issues,<sup>1</sup> \$ billion

■ Benefits ■ Expenditures through 2050 — Net benefit

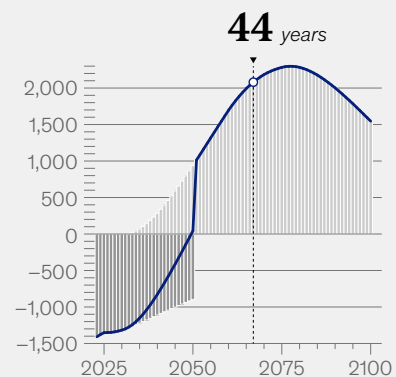
**Issue: Maternal and neonatal health disorders**



**Issue: Lead poisoning**



**Issue: Lack of access to and low quality of education**



<sup>1</sup>We estimate the residual benefit of expenditures made to 2050.  
Sources: World Bank; McKinsey Global Institute analysis

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# Implications for companies and society

## **When society's and a company's interests are aligned**

Companies have opportunities to act now to accelerate progress and earn returns at the same time, as they would for any business opportunity. Many examples in this report show how companies can push technology forward to reduce costs and make products and services commercially viable or affordable to governments. Early movers can also benefit by building brand leadership or gaining early insights into emerging technologies.

Yet societal issues often present a collective-action problem. Individual companies acting alone to address these issues would be at a disadvantage. For example, if one steel company alone shouldered the costs of a cleaner production process, it would soon become unprofitable. If a problem isn't severe or is only a matter of coordination within an industry or sharing best practices, then businesses can choose to work collaboratively to overcome shared challenges. Partnerships among companies or between companies and other stakeholders are needed to overcome coordination barriers, share risks, and pool resources. In these circumstances, even without policy interventions, these partnerships can align business and societal incentives.

These types of opportunities illustrate the payoff to companies and society of the capabilities-based approach. Unlike the historic focus on ESG, which disperses attention and resources, sustained attention to a couple of well-targeted issues can enable the innovation, coalitions, or time frames needed to overcome fundamental market obstacles.

## **When society and a company's interest are not aligned**

If no business case can be made for a company or group of companies to tackle an issue in the current market context, then governments, NGOs, philanthropic organizations, and multilateral institutions can take steps to create conditions that enable business-led initiatives to succeed. Public-private partnerships and policy interventions that align incentives may be necessary. Over time, consistent policy signals, continued technological innovation, and evolving consumer preferences can create a market context where businesses can act alone or in concert without further policy interventions.

Mission-driven companies may act individually on such issues now through corporate social responsibility programs or simply deciding to accept low or no returns. Alternatively, companies may enter public-private partnerships that mitigate risk by leveraging capital from public institutions or philanthropies, signing build-operate-transfer agreements, establishing performance-based contracts, and using other models. Such tactics enable action on societal issues that would otherwise be commercially unviable, such as costly endeavors with long time horizons like infrastructure development.

Most of the obstacles to corporate action arise when business and societal goals are misaligned, which requires societal choices about whether and how to bring them into alignment. When the problem is one of collective action, governments have a range of policy instruments to encourage or compel many stakeholders to work toward a common goal, as the many examples in this report highlight.

## Questions for business leaders to operationalize the approach

To develop a portfolio of potential actions using a horses-for-courses approach, company leaders interested in tackling a societal issue can start with questions that clarify where and how they can have the greatest impact.

### Matching the horse to the course

- Which societal issues do the capabilities and specialization of my company truly align with? Are there any trade-offs in addressing these issues in terms of my immediate stakeholders and business?

### Scaling and innovating when company and societal returns currently align

- Are there any overlooked business opportunities that can address aspects of a societal issue today?
- Can my company innovate to create new solutions or reduce costs, allowing it to reach more consumers and meet long-term business goals?
- What coalitions can deliver existing solutions without the need for major policy interventions or public resources, particularly where the main challenge is the orchestration needed to address issues in the exiting-poverty and accelerating-empowerment clusters? Can my company play an enabler role for one of the issues?
- Is my company willing to invest in delivering broader societal impact by addressing a societal issue despite uncertain or lower returns? Could mission alignment or stakeholder expectations justify such an effort?

### Scaling or innovating when company and societal returns do not currently align

- Can my company articulate the obstacles preventing progress on the issue? Is it a collaboration gap? Purchasing power? Permits?
- How can my company anticipate changes in the policy and regulatory environments to position it for long-term success?
- Can investment in R&D, talent, or pilot programs pay off once market incentives shift or costs decline?

## Questions for policy leaders

The central questions for policy leaders when it comes to private-sector involvement in resolving societal issues are about whether to address and how to prioritize issues and the projects needed to address them, as well as how to best bring the innovation and scaling capabilities of companies to bear.

- What is the public basis on which to address and prioritize societal issues? How can public action balance intervention to drive progress with current use of resources and cost of change?
- Closing which societal gaps delivers the greatest health, climate, or inclusion benefit per public dollar, and where does the private sector already have a credible technical edge?
- For each priority intervention, what specific market failure (such as first-mover cost, demand uncertainty, a lack of standards, or externalities) blocks private investment?
- Are companies fit for purpose to play a role? What is the least cumbersome policy or finance lever (such as mandate, pooled procurement, volume guarantee, or concessional loan) that would remove an obstacle to corporate action?
- How can the sequence of policy adjustments over time—for example, pilot subsidies that phase out gradually, increasing standards, and learning-rate targets—enable private technologies ride the cost curve and become competitive without perpetual support?
- Which mix of companies, financiers, and NGOs must be at the table to mediate and execute? Should policy lead, convene, or simply enable them?

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Society has debated the role of companies in society ever since they were given the freedom to incorporate without individual legislative mandates two centuries ago. In the 21st century, the pressures on companies to maintain a social license to operate come from many angles as societal issues mount and become more complex. Companies and society have made major progress in adjusting, especially in the case of environmental sustainability, but an overemphasis on ESG checklists risks steering companies away from using their core strengths for social good while stopping short of the kind of societal choices that would enable fully addressing the issues on the societal agenda.

In this report, we have offered an alternative that goes beyond ESG: a capabilities-based approach built on the premise that innovation has always played an important role in resolving societal issues and that today's externalities can be tomorrow's value pools for business and society. This approach focuses companies on what they do best and shines a light on the resources and actions needed to tackle a societal agenda for sustainable and inclusive growth.

# Acknowledgments

This report builds on a larger body of work from the McKinsey Global Institute that explores how to spread prosperity more broadly across all global denizens through productivity and growth, as well as research on human capital and the future of work. It also builds on our past reports on sustainable and inclusive growth, companies in the 21st century, parity in the workplace, and the net-zero transition, as well as research by the McKinsey Health Institute.

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# Endnotes

## Executive summary

- <sup>1</sup> James Manyika and Monique Tuin, "It's time to build 21st century companies: Learning to thrive in a radically different world," McKinsey, May 2020.
- <sup>2</sup> More than 60 percent of the 32,000 respondents in 28 countries surveyed for the 2024 Edelman Trust Barometer said they expect CEOs to address changes occurring in society, not just those affecting their businesses. For more information, see *2024 Edelman Trust Barometer: Innovation in peril*, Edelman, January 2024.
- <sup>3</sup> McKinsey publishes its sustainability report annually. For more information, see *Accelerating sustainable and inclusive growth for all*, McKinsey, May 2025.
- <sup>4</sup> In a 2022 survey, 94 percent of chief experience officers reported that their responsibilities related to ESG had expanded over the three previous years. Additionally, 88 percent of them reported increasing the time they dedicate to ESG. For more, see *McKinsey Talks Operations*, "Turning ESG aspirations into results: The role of functional leaders," blog post by Raj Luthra, Fernando Salas, Abhishek Shirali, and Edward Woodcock, McKinsey, November 29, 2022.
- <sup>5</sup> Chris Flood, "Investors warned of 'green-washing' risk as ESG-labeled funds double," *Financial Times*, April 24, 2023; Patrick Temple-West, Hannah Wendland, and Simon Mundy, "ESG under fire in US state capitals," *Financial Times*, July 25, 2022; Brooke Masters and Patrick Temple-West, "The real impact of the ESG backlash," *Financial Times*, December 4, 2023; Jun Frank and Anna Desis, "2025 U.S. proxy season: Midseason review finds sharp drop in shareholder resolutions on ballot," ISS-Corporate, May 22, 2025.
- <sup>6</sup> *A new look at how corporations impact the economy and households*, McKinsey Global Institute, May 2021.
- <sup>7</sup> Lucy Perez, Dame Vivian Hunt, Hamid Samandari, Robin Nuttall, and Krysta Biniek, "Does ESG really matter—and why?" *McKinsey Quarterly*, August 2022. Our previous work and a wide body of literature analyze such stakeholder value issues. See *A new look at how corporations impact the economy and households*, McKinsey Global Institute, May 2021; Rebecca Henderson, *Reimagining capitalism in a world on fire*, PublicAffairs, 2020; Alex Edmans, *Grow the pie: How great companies deliver both purpose and profit*, Cambridge University Press, April 2020.
- <sup>8</sup> Underprovision issues, like environmental issues, arise in part from externalities. They are about an underprovision of goods that generally have a positive externality (both economic and noneconomic) such as healthy lives, rather than a negative externality such as pollution, which is a type of overproduction. In practice, many other market failures can arise to worsen both types of issues, as we analyze in chapter 2. In some cases, especially noncommunicable diseases and mental-health issues, problems might arise from diet or workplace factors, and there might be opportunities for companies to have a positive impact by preventing these problems in the first place. In this study, we focus on the interventions designed to tackle the issues that already exist; for additional discussion of how these companies affect health, see Anna B. Gilmore et al., "Defining and conceptualizing the commercial determinants of health," *The Lancet*, April 2023, Volume 401, Number 10383.
- <sup>9</sup> Companies also face a third type of issue, which is whether to influence political debates. These issues are not about creating value for stakeholders or society through their core business and so are beyond the scope of this research.
- <sup>10</sup> Lant Pritchett and Addison Lewis, *Basically, economic growth is enough, and only economic growth is enough for the basics*, March 2022; Aart Kraay, "When is growth pro-poor? Evidence from a panel of countries," *Journal of Development Economics*, June 2006, Volume 80, Number 1; Lant Pritchett, *The case for economic growth as the path to better human wellbeing*, October 2024.
- <sup>11</sup> Mortality rate, infant (per 1,000 live births), World Bank, accessed June 21, 2025.
- <sup>12</sup> Frank W. Geels and Caetano C. R. Penna, "Societal problems and industry reorientation: Elaborating the Dialectic Issue LifeCycle (DILC) model and a case study of car safety in the USA (1900–1995)," *Research Policy*, February 2015, Volume 44, Number 1.
- <sup>13</sup> For another set of criteria that defines where companies are fit for purpose to address societal issues, see Alex Edmans, "What social responsibilities should companies have? A new approach," *Wall Street Journal*, October 1, 2023.
- <sup>14</sup> In each case, we assessed the companies with the products or operations most closely linked to interventions needed to address an issue, consistent with our focus on innovation and scaling capabilities. Some companies may play additional roles beyond those we identified in the literature. In many cases, those companies are suppliers, distributors, financiers, and influencers, which we discuss in the full version of this report.
- <sup>15</sup> For health issues, our accelerated scenario is based on applying known technologies at scale, as identified in the report *Prioritizing health: A prescription for prosperity*, McKinsey Global Institute, July 2020. In some cases, especially noncommunicable diseases and mental-health issues, problems might arise from diet or workplace factors, presenting an opportunity for companies to have a positive impact by preventing these problems in the first place. In this study, we focus on the interventions designed to tackle the issues that already exist. For additional discussion of how these companies affect health, see Anna B. Gilmore et al., "Defining and conceptualizing the commercial determinants of health," *The Lancet*, April 2023, Volume 401, Number 10383.
- <sup>16</sup> *The next big arenas of competition*, McKinsey Global Institute, October 2024.
- <sup>17</sup> Fortune Global 500, *Fortune*, August 2024. We generally define acceleration with a best-in-class or regional rate that is applied to all countries, with some exceptions such as in the case of emissions scenarios that are already well established. For more, see chapter 2 of the full report.

## Chapter 1

- <sup>18</sup> James Manyika and Monique Tuin, "It's time to build 21st century companies: Learning to thrive in a radically different world," McKinsey, May 2020.
- <sup>19</sup> More than 60 percent of the 32,000 respondents in 28 countries surveyed for the 2024 Edelman Trust Barometer said they expect CEOs to address changes occurring in society, not just those affecting their businesses. For more information, see *2024 Edelman Trust Barometer: Innovation in peril*, Edelman, January 2024.
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## Chapter 2

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