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Corporate Governance Maturity and Its Related Measurement Framework

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Abstract

In the current business environment, an organisation cannot exist without availability of corporate governance. Corporate governance is a system that should be available within an organisation and should be defined and regulated internally. Moreover, it is widely known fact that organisations that demonstrate poor corporate governance end up in making losses. However, good corporate governance also cannot assure the success of organisations. These unsuccessful organisations, although demonstrating good corporate governance, may end up in losses due to fraudulent activities. Robust and stable corporate governance system is required to ensure that organisations will achieve their objectives and expectations of shareholders are met. It is a common expectation of shareholders that the board of directors and organisational management will adopt and implement proper governance practices. However, in order to measure the adoption and implementation; assessment of corporate governance maturity is required. Furthermore, good corporate governance can be considered as broad and inconclusive term unless it is measured to the level of its maturity. Therefore, it can be asserted that the maturity of the corporate governance processes within the organisations needs to be identified and evaluated, which eventually enables assessment of the good corporate governance**.** The objective of this paper is to develop a corporate governance maturity framework which can be utilized as a measurement tool. The initial corporate governance maturity framework developed is founded on the available and associated literature. Adoption of the framework developed in this paper may enable organisations to measure its governance maturity and also enable them to identify potential gaps between the current strategic objectives and targets. Moreover, this framework may assist organisations in forming their strategies and aligning their performance with organisational goals.

Keywords: Corporate governance maturity, good corporate governance, corporate governance

1. INTRODUCTION

Enhancement in corporate governance mechanism and practices are required due to the fact of continuous and ever increasing frauds (Vinita, 2005). These enhancements can be termed as measurement of corporate governance maturity (CGM). In current business environment, it is necessary for organisation to follow local Companies Law, international standards and corporate principals. These laws, standards and principals define the basic requirements towards corporate governance and therefore none of the organisation can exist without the presence of corporate governance (Bhasin, 2017). Common terms utilized in defining corporate governance are aspiring, best practices, good and poor. Environment, social aspects and culture are also added by few scholars for corporate governance to be determined as good corporate governance. In order to ensure the existence of positive and honest relationship between stakeholders and organisation; measurement of good corporate governance is required (Kocmanova & Simberova, 2012; Schumpeter, 2010). However, good corporate governance does not provide measureable steps towards organisational strategy and it is only the maturity of

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corporate governance which defines the organisational strategy and its related implementation (Bramont, 2012; Massie, 2012). CGM can be defined as follows (Deloitte, 2010):

> *"Industry agnostic framework which lists key attributes associated with discrete levels of maturity on the continuum to becoming a better governed enterprise. It can help companies identify where corporate governance capabilities may lie on a maturity continuum. It not only incorporates mandatory and recommended compliances, corporate governance maturity also takes into account international best practices thus making it a robust, practical and value adding tool."*

Economic recession and financial crisis are the result of corporate failures. Indicators associated with these failures were may never noticed by board of directors and executive management of organisations. Probable reasons for such recession and financial crisis is poor corporate governance and weak regulatory controls (Chambers, 2010; Sahlman, 2010). Furthermore, organisations effected by these crises utilized corporate governance only as compliance check box instead of being used as evaluating and computing system with ultimate aim of accomplishing shareholder's satisfaction (Rehman & Hashim, 2018; Fernando, 2009; Zhu, 2016). It is worth mentioning, that one of the major factors towards organisational fraud is poor corporate governance (Bhasin, 2013). Similarly, organisations that demonstrated poor corporate governance often ends up in recording massive losses and also attracts negative reputation (Nwagbara, 2012; Vinita, 2005). CGM defines the transparency of organisation and also provides actual situation to its shareholders.

Among many reasons for organisations failure to achieve CGM, the major reasons are (Vinita, Joe & Lee, 2008; Wilkinson, 2014; Pretorius, 2015; Wessels & Wilkinson, 2016):

- Inefficient policies and absence of its implementation
- Lack of dependability, reliability and transparency in financial reporting
- Inefficient and ineffective risk assessment system
- Non-independent board of directors and audit committee
- CEO of organisation is also occupying position of chairman board of directors

CGM provides assurance that organisation are on its right track (Deloitte, 2010). There are several scales provided by many authorities and regulators towards measurement of CGM. However, aim of all these different scale is common, which is, achievement of true corporate governance (Rehman & Hashim, 2018). There are many constituents associated with the measurement and achievement of CGM. The major constituents are board of directors, audit committee, compensation committee and executive management. These four major constituents are directly responsible for the approving and implementation of policies, corporate culture and also set tone at the top (Wilkinson 2014). Therefore, they can be considered as positions directly responsible for the achievement of CGM.

Effectiveness of board of directors and audit committee is associated with the skills, knowledge and independence of its members. Formation of board of directors and audit committee with more external members enhances its effectiveness as it can assure less or minimal interference from organisational management (Akhtaruddin & Haron, 2010). Major aim for the existence of audit committee is to protect organisations from fraud and mismanagement, if independence of audit committee is in jeopardy, then it will be difficult to achieve CGM. Furthermore, one of the major reasons towards non-achievement of CGM is the ineffective and incompetent organisational and governance structure (Mokhtar & Mellett, 2013). Similarly, if the executive management is not capable and not able to formulate or implement policies, then it will difficult to identify falsified transactions, related party transactions or erroneous accounting treatments (Vinita, 2005).

CGM is rather a new concept for which many attributes are required to be explored. The objective of this paper is to develop a corporate governance maturity framework which can be utilized as a measurement tool. In doing so, this paper intends to study CGM, its achievement and difficulties. Implementation and achievement of CGM obliges organisations to follow and achieve standards, policies and disclose all the relationships to shareholders. This paper will highlight the importance of CGM, its related concept and measurement through developing measurement framework. This paper may assist professionals and regulatory authorities to define and develop governance maturity levels, enabling transparency for shareholders and also stakeholders.

2. CORPORATE GOVERNANCE MATURITY FRAMEWORK

Existence of CGM is dependent upon the availability of corporate governance within the organisations. Organisations cannot operate if standards of corporate governance are not available (Fernando, 2009; Butt, 2012). These standards define minimum criteria and adherence of which results in either good or poor corporate governance (Roberta, Sanjai & Brian, 2008). In order to apprehend the concept of CGM, brief about corporate governance and good corporate governance is required.

In accordance with Organisation for Economic Cooperation and Development, corporate governance can be defined as *"set of relationships between a company's management, its board, its shareholders and other stakeholders"* (OECD, 2014). Corporate governance is presented in shape of codes and developed by governance committees. From many governance committees, following are the eminent. These committees provided guidelines and policies aiming towards delivering shareholders satisfaction (Bhasin, 2013):

- Expectation gap revision of Statements on Auditing Standards (1989)
- Treadway commission (1987)
- Private Securities Litigation Reform Act (1995)
- Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees (1999)
- Sarbanes Oxley Act (2002)
- The Committee of Sponsoring Organisation of the Treadway Commission (2013)

The above mentioned committees developed guidelines based on (a) shareholder's right and related roles, (b) investors and stock markets (c) role of stakeholders (d) disclosure and transparency; and (e) roles and responsibilities of the board of directors (Carden, Boyd, & Valenti, 2015).

2.1 Corporate Governance

Corporate governance can be contemplated as a management means and tool that enhances the ability of organisations in disclosing relevant and related information for decision makers such as representatives of shareholders (Musleh Al-Sartawi, 2018). Corporate governance can also be defined as management's approach founded on perceptions such as disclosure, transparency, accountability and responsibility. Corporate governance can also be extended to stakeholders such as creditors and customers. Corporate governance aimed to assist and create an environment of trust, and accountability which is requirement towards developing long-term investments, organisational stability and integrity of businesses, (Chazi, Khallaf, & Zantout, 2018). Corporate governance can provide balance between management of organisations, its board of directors and shareholders. Corporate governance emerged from practices of regulatory agencies (Carden, Boyd, & Valenti, 2015). Furthermore, corporate governance is mainly associated with balancing expectations of stakeholders and can be considered as major success factor towards any business as it enhances and protects shareholders' rights (Sar, 2018).

Corporate governance can also be looked from two different aspects namely internal factors and external factors. Internal factors can be controlled by organisations such as board composition, remuneration of executive management whereas external factors such as labour union, market condition and regulatory authorities are difficult to control however they impact the corporate governance of organisation (Grace, Vincent, & Evans, 2018). In accordance with Bhasin (2013), although codes are developed and committees are formed, fraud is still happening and with more intensity. As mentioned earlier, weak or poor corporate governance is one of the major reasons towards fraud. On the other hand, good corporate governance demonstrates that organisations are following and implementing policies, procedures and guidelines.

2.2 Good Corporate Governance

The term good corporate governance describes that corporate governance in organisations is not poor. Good corporate governance is a system which combines board of directors, executive management, shareholders and stakeholders by implementing following five principles (Laksmi & Kamila, 2018):

1. Transparency
2. Accountability
3. Responsibility
4. Independence
5. Fairness

The five principles are also the basic conditions for corporate governance whereby the implementation and result generation makes it good corporate governance. Implementation of good corporate governance provides assurance that organisations will improve decision making process at all levels. Moreover, organisations will also perform compliance with laws, regulations, internal policies and will also be active socially (Laksmi & Kamila, 2018). Furthermore, good corporate governance recognizes internal controls and risk management as important elements for organisational growth (Chen, Li, & Shapiro, 2011).

Good corporate governance affirms practical long-term progress and growth as its basis incorporates regulated board, precise and reliable financial statements, safeguarding minority shareholders' right and execution of laws and regulations. Good corporate governance system enables organisations to understand their economy, efficiency and effectiveness, reduce frauds and abuse of powers, and provides systematic flow of responsibility and accountability (Hashim, Mahadi & Amran, 2015; Homayara, Md. Jahangir, Saeed, & Sawlat, 2008, Musleh Al-Sartawi, 2018).

As mentioned earlier, good corporate governance can only exist if corporate governance is present in organisations. Corporate governance differs from the organisational life cycle approach where organisations establish, then grow, then mature and then decline. Corporate governance is a necessary part of organisations and good corporate governance can exist in organisations which is newly established and not be present in organisations which exists for elongated period of time. Good corporate governance enhances organisational value (OECD, 2014), whereas opposite performance can be predicted for poor governance (Sami, 2012). If good corporate governance is implemented then it can create following principals as presented in Table 1 (Oso & Semiu, 2012):

Table 1. Principals of Good Corporate Governance

Corporate Governance Principals	Description
Interest of stakeholders	Protection of stakeholders' interest should be available in organisation's policies and should be properly approved.
Functions and obligations of board of directors	Board should be formed with roles and responsibilities. Board should have expertise and knowledge related to business, accounting and auditing.
Integrity and ethical behaviour	This is the essence of good corporate governance. Directors and executives of organisation should perform with ethics and integrity. They should avoid conflict of interest and perform duty of care.
Transparency and disclosure	It is the requirement of corporate governance that proper disclosures are made in the financial statements and transparency is followed in all transactions. All related parties transactions should be properly disclosed along with board resolutions.

2.3 Corporate Governance Maturity

Fraud is one of the major outcomes of non-mature corporate governance and because of this reason; concerns were raise by stakeholders, shareholders and regulators regarding the enhancement of corporate governance (Vinita, 2005). In current business environment, corporate governance has transformed from just being a compliance process to a proper framework which is measured against set of attributes aiming towards achievement of CGM (Deloitte, 2010). Similar to the concept of corporate governance or good corporate governance, CGM also possesses fundamental requirements. These requirements include, accountability, legal compliance, ethical compliance and effectiveness and efficiency of operations (Rehman & Hashim, 2018). It is the responsibility of executive management and board of directors to initiate, implement and achieve CGM (Pretorius, 2015).

Measuring tools are required to identify the effectiveness of corporate governance as corporate governance itself cannot fulfil anything. As explained by Rehman and Hashim (2018) and Zhu (2016) that corporate governance can be utilized as compliance check box or can be measured to identify complete potential of organisation. CGM model are utilized to measure corporate governance. These models define that, governance of organisations is heading towards right and required direction or not. CGM can support organisations to pinpoint where corporate governance capabilities are lacking and where they should be positioned on a range of maturity. Moreover, it also identifies the gaps between actual and planned organisational performances (Massie, 2012). CGM enables tracking progress of organisations and also creates measures to provide accurate and reliable information which eventually enhances governess process (Bahrman, Manchanda, Roth & Mendes, 2012). Moreover, improvement of governance could be jeopardized if CGM is not recognized (Wilkinson, 2014).

There is no defined and common definition for CGM (Massie, 2012; Roberta, Sanjai & Brian, 2008). Majority of the CGM research is conducted by professionals (outside academic publishing channels) and very few academic literatures are found in the field of CGM. Majority of the research conducted for CGM is by professionals from audit firms and government authorities (Massie, 2012; Wilkinson, 2014; Wilkinson & Plant, 2012). In the absence of CGM, it would be difficult for organisations to assess strategy and similar assurances which could be provided to shareholders. Furthermore executive management assurances cannot resolve any barriers unless CGM is achieved (Brender, Yzeiraj & Fragniere, 2015). It is worth mentioning that maturity of corporate governance can predict organisational maturity and not the organisational maturity predicts the corporate governance (O'Connor & Byrne, 2015).

It is not only the duty of organisations to measure CGM but regulators should also perform maturity testing, enabling them to assess organisational situation. Moreover, CGM will also assist regulators to deviate them from regular and contextual issues to more realistic and challenging issues (O'Connell, 2016). In either case, CGM conducted by organisations or by regulators, a framework for the measurement of CGM should be developed (Portella, 2014). A CGM framework to be developed can be modified or tailored to the needs of organisations. In accordance with Pretorius (2015), CGM is one of the major factors that impacts organisational governance. CGM defines and develops different stages of maturity enabling organisations to identify where they stand. CGM creates necessity to provide proper governance requirements with the aim of realizing better practices and policies. CGM enhances organisational value which strives towards achievement of shareholders and regulators satisfaction (Wilkinson & Plant, 2012).

CGM attracts better market, enhance shareholders' confidence, enhance share market price and also provide means to maintain these enhancements (Messi, 2012). Furthermore, CGM can create following essential aspects (OCEG, 2016; Deloitte, 2010):

1. Empower executive leaders in formulating decisions with predicting changing dynamics.
2. Decisions are communicated throughout the organisation
3. Decisions are made at the right level of organisation.
4. Constant measuring of efficiency and effectiveness of leadership.

There are many elements and factors associated with corporate governance and CGM. The major or main constituents are board of directors, audit committee, compensation committee and executive management (CMA, 2016). These are defined below:

Board of directors

Board of directors (BOD) is the leaders of organisations and also the representatives of shareholders. BOD controls operations of organisations and also performs monitoring of its operation via internal controls. BOD is ultimately responsible for the approval of organisational strategy, its policies and objectives. BOD is also responsible for the success of organisations by providing long term vision and they also provide monitoring of corporate governance (Ganesan, Hwa, Jaaffar, & Hashim, 2017). BOD should work in close conjunction with executive management for the achievement of organisational objectives (CMA, 2016). Similarly and accordance with Mohd-Sanusi, Rameli, Omar, and Ozawa, (2015) BOD is directly liable towards providing sufficient supervision for the overall corporate governance system.

BOD members should be independent members of organisations i.e. they should not be the employee of organisation moreover they should not be receiving any bonus from organisations. In accordance with company's law of many countries, BOD is allowed to have some compensation towards their efforts for organisational work. Moreover, company's law also states that majority of BOD should be non-executive directors which means that they should not be representing any shareholders. However, they should be industry or subject expert and hired to provide expertise towards organisational governance and operations. Moreover, it is the best practice that BOD chairman and chief executive officer of organisations should be different personals (Chu, Lai, & Song, 2016). Regulatory authorities provided BOD to decide on investment plans, bonus for executive management, approval of financial statements and approval of terms of references for BOD and related committees (CMA, 2016). Terms of references provides the authority, responsibility and also creates accountability. These terms of references should be reviewed annually (Bahrman et al., 2012). Furthermore, these terms of reference also provides independence to BOD which enhances good corporate governance (Roberta, Sanjai & Brian, 2008). Independent BOD eliminates negative impact and also enhances values of corporate governance moreover independence also enhances quality of BOD (Zakaria, 2012). Quality of BOD is depending upon knowledge, experience and also qualification. Quality of BOD directly impacts performance of market and of its organisation (Dowen, 2011) and thus striving towards achievement of CGM.

For the formation for BOD, there is no specified ways available however BOD should be formed in a manner which is beneficial for organisation and fulfils the requirements of quality and corporate governance (Mohd-Sanusi et al., 2015). BOD formation also impacts frauds within organisation and also reduces agency cost. In accordance with Bansal and Sharma (2016) agency cost is reduced due to independence of BOD as independence enhances efficiency and effectiveness of BOD's operations. Independent board assists in improving share prices and brings quality to corporate governance.

BOD should not involve themselves in every day's operations of organisations (Leonard, 2010). BOD should meet regularly and with regular intervals. BOD meetings are usually focused towards approval of financial statements and to decide on organisational strategy issues (CMA, 2016). Agenda for meeting should be informed to BOD along with the material information (OECD, 2009). These meeting should be minuted and should possess all the transactions conducted during meeting. All the BOD decisions should be recorded and should be followed for the checking of implementation towards BOD's decisions (Bahrman et al., 2012). Meetings of BOD should be focused towards organisational development, formation of strategy, objectives and goals (Bahrman et al., 2012). After the meeting, decisions should be circulated to all employees as this practice is necessary to maintain transparency and it also develops trusts among employees (Zakaria, 2012; Mohd-Sanusi et al., 2015).

Audit committee

Audit committee (AC) is members of BOD. AC members are chosen by BOD with the aim of providing assurance to BOD regarding financial affairs of organisation and AC also provides satisfaction towards achievement of CGM. AC are the persons which provides assurance that internal controls are properly in place and are implemented in a way that that strategies are achievable (CMA, 2016). AC also manages risk and defines the risk appetite and risk tolerance for organisation. It is worth mentioning that AC necessity was created after big corporate frauds. Many regulatory authorities and bodies recommended having AC in organisation. In many countries like US, India and Pakistan, AC is mandatory (Leonard, 2010; Singleton & Singleton, 2010; Fernando, 2009; Butt, 2010). AC can only be successful if it works in coordination with other constituents of CGM such as board of directors, compensation committee and executive management. AC also directly deals with internal and external auditors and for this reason and to maintain independence and objectivity, internal and external auditor's reports directly to AC (Abdel-Meguid, Samaha & Dahawy, 2014; Rezaee, Daniel, Ha & Suen, 2016; Wilkinson & Plant, 2012; CMA, 2016)

AC should be formed from members of BOD and majority of them should be independent or outside directors (i.e. not nominated by shareholders) (OECD, 2009). For achievement of CGM, AC should be involved in antifraud examination policies, reviews and audit findings. Audit reports should be discussed thoroughly and action should be demanded from executive management for the recommendations accepted by AC (Singleton & Singleton, 2010). These recommendations are usually provided by internal and external auditors. Furthermore, effectiveness of AC is depending upon number of effective meetings (Shir, 2013). AC should comprise of minimum three members with majority of them should be independent. AC members should have one financial expert and one audit expert (Zakaria, 2012; CMA, 2016). AC should be governed by its own charter or terms of reference. There terms of reference should possess the rights, responsibilities and authorities of AC along with its formation and area of expertise (Singleton & Singleton, 2010). AC meetings, its frequencies and its effectiveness assist organisation in reducing risk and enhancing CGM (Stewats & Munro, 2007; Wilkinson, 2014; Rehman & Hashim, 2018).

Performance of AC is monitored and assessed by BOD. AC discharges BOD from their duties towards assessment of financial statements, risk management and performance of organisation (Krishnan & Lee, 2008). In any organisation, AC is one of the key elements towards preventing of fraud (Italia, 2012). BOD placed reliance on AC towards assurance of true and fair view of financial statements and enhancement of corporate governance (Efiong, 2012; Abbot, Park & Parker, 2000; Rehman & Hashim, 2018). For the achievement of good corporate governance, it is always preferred that internal and external auditors reports to AC (Saud & Marchand, 2012; CMA, 2016; Hoitash & Hoitash, 2009). AC discusses audit findings with executive management with aim of reducing and mitigating risk (Laux & Laux, 2009; Laura, Emiliano & Manuel, 2010). In accordance with OECD (2009), AC is having only authority to recommend, however it is BOD who acts upon the recommendations of AC. AC defines risk related areas and also defines recommendations towards mitigating these areas (Wilbanks, Hermanson & Vineeta, 2017; Bentley-Goode, Newton & Thompson, 2017). Effective AC reduces the risk of fraud and in similar manner ineffective AC contributes towards fraud and related activities (Chapple, Ferguson & Kang, 2009; Law 2011).

Compensation committee

In the area of governance, compensation committee (CC) is relative new. CC is formed from the members of BOD (CMA, 2016) and their expertise should be towards compensation and bonus related matters. CC is responsible for the recommendation of remuneration policy approval. Their recommendations are forwarded to BOD for their final approval (Acharya & Volpin, 2010). CC major focus is towards salaries and compensations of executive management (Sharma, 2013). CC plays major role in deflating the agency conflicts (Fernando, 2009). Agency cost arises when there is conflict between executive management and BOD. Major reason for conflict is related to the compensation of executive management (Afza & Nazir, 2014). In this regards, CC plays major role towards enhancement of corporate governance (Acharya & Volpin, 2010; Dell'Atti, Intonti & Iannuzzi, 2013) and achievement of CGM.

Shareholders are concerned with unusual bonuses, stock options and salary increments of executive management, whereas executive management demands for the compensation for their hard work and dedication to increase organisational revenues and profits. It is the duty of CC to create balance between shareholders right and the entitlements of executive management (Appiah & Chizema, 2015). CC evaluates the performance of executive management and also performs their quarterly, half yearly and annual appraisal. These appraisals are conducted to ensure that executive management's personal performance is in alignment with organisational strategy and objectives.

Another major task of CC is to monitor the compensation made to BOD either in the shape of fixed remuneration or stock options. Therefore, it is considered as best practice that CC members should be independent members of BOD. A proper disclosure should be made within financial statements for these compensations

(Finkelstein, Hambrick & Cannella, 2009; Berrone & Gomez-mejia, 2009; Chakrabarty, 2015) as disclosures in financial statements enhance the transparency and also enhance the shareholder's confidence. It is also the duty of CC to follow local labour laws and ensure that these laws are adhered completely. Furthermore, there should be provision in law which should limit the compensations and other remunerations for BOD and executive management, as in the absence of such limits chances of fraud are higher (Ei-Yet Chu, Lai, & Song, 2016)

Executive management
Executive management (EM) plays vital role towards corporate governance and attainment of CGM. EM is responsible towards implementation of policies and guidelines with aim of achieving organisational goals and objectives. Policies and guidelines are approved by BOD (Mohd-Sanusi et. al, 2015; CMA, 2016; Fernando, 2009). One of the conditions of good corporate governance is that chairman and CEO of organisations should be separate persons and proper segregation of duties should exist between these two functions (Keasey, Thomson & Right, 2012). Furthermore, for the protection of shareholder's rights, organisation usually adopt two stage system namely BOD and EM, where BOD is appointed by shareholders and EM is appointed by BOD (Korine & Gomez, 2014).

EM is responsible for the development of corporate strategy and accomplishment of organisations' goals. EM is comprised of senior leadership team of organisations such as CEO, CFO and COO (Fernando, 2009). It is also the duty of EM to review organisational policies regularly with regards to identify potential gaps, compliance with policies and also redundant policies (Carcello, 2009). It is considered as best practice that all the policies should be reviewed by EM at least once in every three years (COSO, 2016; Bentley-Goode, Newton & Thompson, 2017). EM develops the control environment and also develops tone at the top. This control environment is followed by the whole organisation (Brennan & McGrath, 2007; Hunton, Hoitash, Thibodeau & Bedard, 2011; Patelli & Pedrini, 2015). However in order to achieve CGM, understanding of EC towards shareholders' relationship is required. This relationship is very well defined in agency theory where shareholders are the principal and EC is the agent working for the protection of shareholders' right (Afza & Nazirf, 2014) thus striving towards attainment of CGM. EM should also develop the culture of trust and openness among employees of organisation and should encourage employees to speak-up (whistleblower) (Fernando, 2009).

2.4 MEASUREMENT OF CORPORATE GOVERNANCE MATURITY

Measurement of CGM is required to identify where organisations are currently stand in terms of corporate governance. However, the question arises is that either governance is measureable or not? Corporate governance encompasses two aspects namely hard aspect and soft aspect (Rehman & Hashim, 2018). Hard aspects are easy to measure as they deal with areas such as compliance with laws, regulations and policies whereas soft aspects are difficult to measure as they deal with the culture, industry norms and environment such as carbon footprints and child labour (Cattrysse, 2005). There are several models developed by different authorities for the measurement of CGM and any framework which best serves the need for organisations should be adopted and CGM should be measured accordingly (Wilkinson, 2014; Rehman & Hashim, 2018). If CGM is completely implemented and achieved then the following will be the universal outcome for organisations (Switzer, Mitchell, & Mefford, 2015):

- Completely realized business objectives
- Augment and improve organisational culture
- Enhance stakeholders' confidence
- Protect and prepare organisation
- Detect, prevent and mitigate complexities and weakness
- Persuade and motivate desired conduct
- Improve efficiency and effectiveness
- Enhance social economic value.

As mentioned earlier, there are several maturity measurement frameworks available targeting towards different areas of organisations. Yet in the field of corporate governance there are only few maturity model exists. Maturity models that can be directly associated with corporate governance are presented in Table 2 (Wilkinson, 2014):

Table 2. Maturity Model Frameworks

Maturity Model	Area Associated With	Description	Attributes	Levels of Maturity
Modes of managing morality (MMM)	This is associated with ethics and ethical culture of organisation. MMM was developed by Rossouw and Vuuren (2003)	This model is related to ethics of management within organisation and lacks many aspects of corporate governance (Wilkinson, 2014).	Its attributes includes nature, purpose, ethics management strategy and challenges	5 level of maturity: Level of maturity ranges from immoral mode to totally aligned
Capability maturity model (CMM)	This is associated with the software process of organisation. CMM was introduced by Humphrey (1988)	CMM is currently utilized for measuring maturity of product and service development, service management, security and risk and system design	Software related and depending upon organisation (Paulk, 2009)	5 levels, namely initial level, repeatable Level, defined level, managed Level and optimized level
Open compliance and ethics group model (OECG)	This is directed towards governance process and BOD practices. This model was developed by OECG in 2007	It is closely related to governance maturity and it assisted many other authorities for developing their own maturity frameworks	Attributes are mainly focused towards decision making, process, structure and IT.	5 levels of maturity namely forming, developing, normalized, established and mature
Internal audit capability model (IA-CM)	IA-CM is developed to assists internal auditors in order to enhance their effectiveness and efficiencies. It was developed by IIARF	IA-CF demonstrates strength and importance of internal audit function focusing towards public sector companies and its related governance	It is having 6 attributes	It is having 5 levels of maturity
Risk maturity model (RMM)	RMM is developed by RIMS. It is related to the risk maturity framework	RMM was developed to assists organisation in managing risk more effectively and efficiently	It is having 8 attributes	It is having 5 levels of maturity
Governance capability maturity model (GCM)	GCM is directly related to maturity of organisational governance. This model was developed by Bahrman in 2011	GCM is related to organisation available in US and directly deals with the governance of organisation.	It is having 10 attributes	It is having 5 levels of maturity
Organisational governance maturity framework (OGMF)	It was developed by Wilkinson in 2014. It is adapted model from many other maturity models	OGMF deals with the organisational governance and internal audit function	It is having 4 attributes.	It is having 5 levels of maturity

As can be seen in Table 2, the elements which should be taken into consideration for the development of CGM framework are:

1. Attributes: are the features which can be associated with the area of specialization
2. Levels of maturity: demonstrates that where attributes stand. Usually it ranges from immature to mature
3. Description: description can also be defined as criteria which defines that narrative form of levels of maturity and linked with attributes

CGM framework can also be developed for the major constituents of corporate governance namely BOD, AC, CC and EM. This framework is developed in line with the literature review and also in accordance with already developed maturity frameworks. Furthermore, it is obvious from the developed frameworks that there should be minimum four and maximum ten attributes and there should be five levels of maturity. The CGM framework's attributes and maturity levels are as presented in Table 3 and the maturity framework is presented in Figure 1.

Table 3: Corporate Governance Maturity Framework

Attributes	Maturity Levels
• Board of directors • Audit committee • Compensation committee • Executive management	• Immature • Emerging • Regulated • Founded • Mature

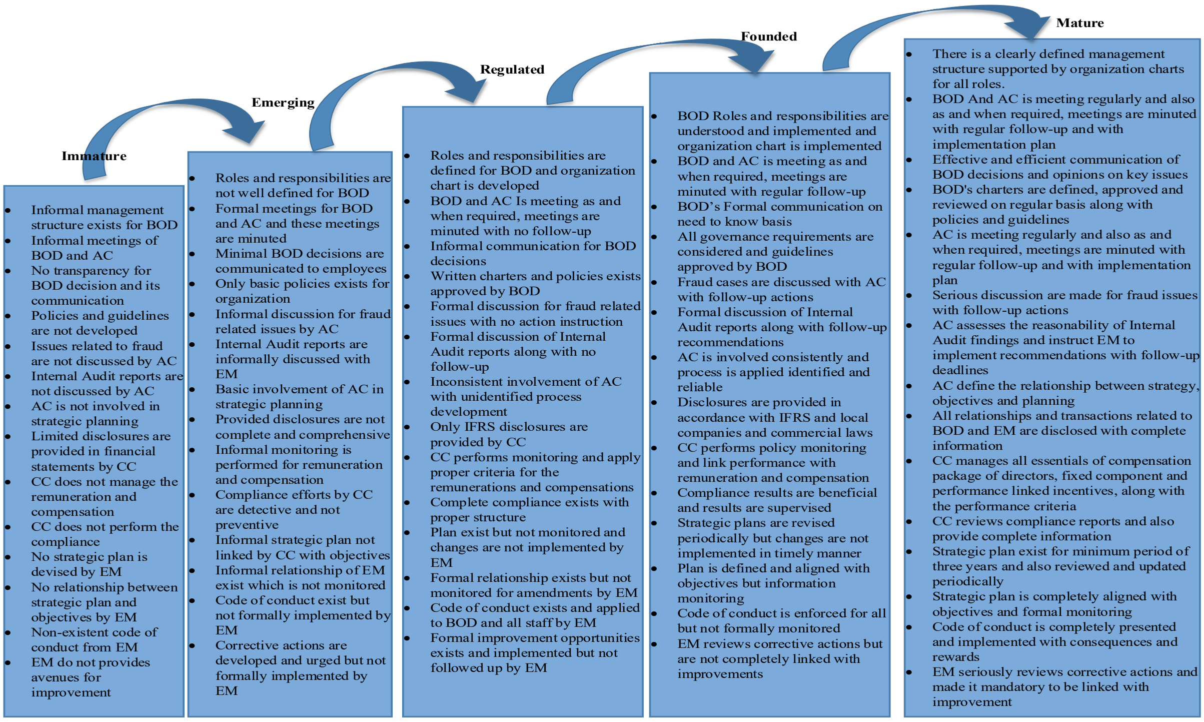

Fig.1. Corporate governance maturity framework

Probable result for corporate governance maturity

CGM can be measured at different levels (Rehman & Hashim, 2018). These levels validate the situation of organisations by defining where it stands in terms of governance maturity and also identify potential gaps between actual and planned performances (Lockhart, 2011). In accordance with the developed CGM framework there are five levels of maturity and they are explained below:

Immature

Immature corporate governance refers to situation where only minimum requirements of laws are followed. This is the existence stage of corporate governance where organisations establish their initial level. This can also be considered as level or stage one for organisation. At this stage organisations usually identify their requirements, setup their objectives and develop board related committees (Sinclair & Smaili, 2014). Immature level of corporate governance also demonstrates weak legal system and requires direct interference of regulators and other government authorities (Keay & Zhao, 2018). It is worth mentioning that immature corporate governance stage does not mean that shareholders or EM are also immature (Keay & Zhao, 2018). Immature corporate governance can create potential risk of agency cost and agency conflicts. In accordance with Wilkinson (2014) at this stage organisations are not aware about values and importance of process, policies and guidelines.

Emerging

Emerging level is next after immature level. At this level, an organisation admits that it is in process of getting itself aware towards existence and importance of laws, regulations and guidelines. However at this stage, even if implemented, corporate governance features may still be questioned or overlooked (Wilkinson, 2014). At this level the organisation develops policies, procedures and guidelines. Board and related committees are also formally formed but these are guided by informal charters or terms of references. EM deals with issues in non-consistent manner and focus of organisation is not towards achievement of goals and objectives (Switzer et al., 2015).

Regulated

Regulated is the third level. Organisations can arrive at this level once they achieve the previous two levels. At this stage organisations start regulating documents, procedures, policies, charters and objectives. These include board members and its associated committees understanding their roles and duties. These roles and duties are formulated in shape of approved charters or terms of reference (Switzer et al., 2015). Organisations at this level demonstrate that it understands the value of compliance and started implementing charters, guidelines and regulations (Wilkinson, 2014; Wilkinson & Plant, 2012). At this stage much importance is provided towards BOD and EM, however board related committees such as AC and CC are still not proactive and are utilized only as compliance purposes (Fernando, 2009)

Founded
Founded stage is the fourth level. At this stage organisations demonstrates that it has achieved processes and accomplishments at previous levels. BOD formally instructs EM to implement and follow policies and procedures and also authorize AC to appoint internal audit or forensic accounting as independent authorities (Wilkinson & Plant, 2012; Enofe, Ekpulu & Ajala, 2015). Conflict of interest, related parties transaction, bonus and compensation are regulated and properly disclosed in financial statement disclosures. At this stage BOD assess its performance against planned performance and identifies the corrective actions. BOD also recognizes special skills required in board or EM and also assesses risk and other related matters (Fernando, 2009; Switzer et al., 2015). At founded level, organisations go beyond compliance level and provide extra information and conduct extra steps towards organisational performance (Wilkinson, 2014).

Mature
Mature level is the final level towards CGM. At this level organisations demonstrates proactive situation and implementation towards governance guidelines. At this stage, organisations follow all policies, guidelines and regulations. All disclosures are made and culture of transparency is developed (Wilkinson, 2014). At this level, organisations have majority of independent BOD members; AC and CC are also formed with independent members (Ming, 2007). These independents members becomes the driving force for the implementation of organisational strategy and goals. In accordance with Fernando (2009), BOD receives agenda for meeting well in advance and agenda is placed for the discussion among BOD members. Chairman BOD and CEO are different personals and both have proper segregation of duties (Rittenberg & Martens, 2012). Proper risk and reward mechanism is developed and implemented; and bonus and compensation are linked with performance.

3. CONCLUSION

The importance of corporate governance has been argued by many scholars and at many different levels. Requirement was necessitated in corporate governance enhancement due to the continuous and ever increasing frauds. This enhancement can be termed as CGM. It can be asserted that CGM is the requirement and additional step towards mitigating fraud risk. Organisations which suffered from fraud and related losses, utilized corporate governance as compliance check box only and do not implement corporate governance properly and completely. CGM ensures that organisations follows the basic principal and at the same time obliges organisation to set the parameter aligned with organisational strategy and objectives.

Utilization of the CGM framework can be beneficial to organisations especially when organisational performance is to be benchmarked with other organisations, to measure achievement of objectives and also to identify potential gaps between planned and actual strategy achievement. The increased awareness and importance of organisational governance has resulted in organisations reaching varying levels of CGM and in order to adequately determine level of CGM, the maturity framework should be utilized. There are several maturity frameworks available. However, only a few are related to corporate governance and few can be associated with corporate governance. It is high time for organisations to develop the CGM framework which can also form the basis for development of organisational governance framework.

Very limited literature is available in the field of CGM, as concept of CGM is relatively new and majority of work is conducted by the professional firms. There is no generally accepted or well-known framework available and for this reason, this paper aims to compile and add literature related to CGM and to provide insight for the CGM and its framework development. Within the developed framework, it is asserted that there are three main elements namely attribute, maturity levels and contents which are related to the attributes and maturity levels. This paper enhances the body of knowledge and also contributes towards the existing compilation of literature. Understanding of this paper may be beneficial in offering a ground for future research and to further generate extensive knowledge on issues relating to CGM and its measurement.

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