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Corporate Internal Governance, Manager Capability and Profitability Sustainability

Minglu Wang*

School of Management, Shanghai University, Shanghai, China
**Corresponding author*

Abstract: *This article takes China's A-share manufacturing listed companies from 2011 to 2020 as a research sample, and uses empirical research to analyze the relationship between corporate internal governance, manager capabilities, and corporate profitability sustainability. The results show that there is a significant positive correlation between corporate internal governance and corporate profitability sustainability; The ability of managers can not only directly promote the improvement of corporate profitability sustainability, but also positively regulate the relationship between corporate internal governance and corporate profitability sustainability. The research conclusions enriches the relevant literature, explores the ways to strengthen the profitability sustainability of enterprises, and provides development ideas for enterprises to improve the sustainability of profitability.*

Keywords: *internal governance, manager capability, profitability sustainability*

1. Introduction

Since the 21st century, China has become a country in dominance of manufacture. As an emerging economy, China has developed rapidly. For enterprises, the increase in costs, the difficulty during globalization, the fierce competition in the market, and the huge challenges followed by transformation and upgrade have all increased the uncertainty of the market. We can see that there are registrations of hundreds of companies every day, and we also witnessed that many companies blindly pursued sales performance, which leading to continuous decline in the quality of profitability, and were unable to maintain sustainable corporate profits, and finally went bankrupt. So, if an enterprise wants better and sustainable development, it requires the enterprise to ensure continuous profitability during the effective period of operation, and at the same time to have the ability to operate stably.

This article focuses on the research on the sustainability of corporate profitability, in the hope of helping more companies to establish correct development concepts and enhance their competitiveness. Profit continuity is an effective reflection of status about business and management of a company. In theory, the internal governance of a company can not only alleviate the problem of entrusted agency in the company but also improve efficiency of company operation through the improvement and perfection of corporate governance. And, it can help companies to improve their social status, effectively attract the attention of external investors, and promote continuous improvement of corporate profitability. In the past, many studies have explored the relationship between corporate governance mechanisms and corporate performance, and most of them have found that companies with better corporate governance mechanisms have significantly better operating performance than companies with poor corporate governance mechanisms. Also, better corporate governance systems will produce higher operating performance and stock premiums. In addition, the senior managers of the company, especially the chairman of the board, have authority to lead the company's resource allocation and the strategic decision-making. Therefore, the ability of decision-making made by company executives are significant to influence the existence and destiny of the company. Past studies have mostly focused on the discussion of the relationship between corporate governance and corporate performance. Based on previous studies, we will study the relationship between corporate governance and corporate profitability sustainability, and consider the possible correlation between manager's ability and corporate profitability sustainability, and further explore how the relationship between managerial competence and corporate governance will affect the company's profitability sustainability in order to increase the relevant research literature on the company's profitability sustainability, and provide recommendations to strengthen internal governance and improve the ability of managers.

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2. Theoretical analysis and research hypothesis

After Mueller (1986) first used the first-order autoregressive model to test the sustainability of corporate profits, many scholars applied the first-order autoregressive model to micro-level research. Roberts and Dowling (2002) found that a good corporate reputation is positively correlated with the sustainability of excellent financial performance. Using the dynamic panel data model, Villalonga (2004) empirically analyzes the relationship between intangible resources and performance continuity. Campbell and Frei (2004) found that profitability of customer significantly affects the sustainability of corporate performance. Lev (1983)'s research shows that the volatility of the growth rate of large companies is smaller than that of small companies, so the profits of large companies are more stable. Chari and David (2012) took 5492 Indian manufacturing companies from 1991 to 2007 as the research object, and found that the greater the investment in research, development, marketing, and advertising, the greater the sustainability of corporate excellence. Li Shihui et al. (2016) found that specialization rate and company size have a stable and significantly positive impact on the sustainability of earnings, and the age of the company has a significantly negative impact on the sustainability of earnings, and the nature of enterprises is not a key factor to judge the sustainability of profits.

The improvement of corporate governance can not only effectively alleviate the entrusted agency problem of enterprises, but also influence the sustainable profitability of enterprises from many aspects. Scholar Sui Xin has studied the effect of corporate governance on profitability from three aspects, which are ownership structure, board structure and management incentives, and thinks that the nature of state-owned property rights and moderate equity concentration have a better role in promoting corporate profitability; constructing an effective board of directors and the independent director mechanism can supervise the management and major shareholders, thereby improving the quality of earnings, and also profitability of the company will also be continuously improved. At the same time, building an effective management incentive mechanism can greatly enhance the enthusiasm of management governance and effectively resolve the principal-agent problem with shareholdersand management group in order to improve the efficiency of capital allocation and capital use, thereby providing protection for the improvement of profitability. This paper holds that the level of corporate governance can not only convey the true information of the enterprise to the external stakeholders and effectively alleviate the asymmetry of information, but also regulate the management's operation and management behavior through supervision and restraint, so that the principal-agent problem can be effectively alleviated. The higher the level of corporate governance, the stronger the risk-taking ability of enterprises. Meanwhile, enterprises can pay more attention to the improvement of long-term performance level, which will have a better positive impact on the sustainability of corporate profitability. Therefore, this paper puts forward the hypothesis:

H1: There is a positive correlation between the company's internal governance capability and the company's profitability sustainability. In other word, the better the company's internal governance, the stronger the company's profitability sustainability.

The leadership style and management ability of CEO and CFO are closely related to the results of business performance. The financial performance of a company can be regarded as the performance of managers who have implemented policies to earn rewards for the company in the past, and the company's continued profitability is closely related to the managers' strategic decisions. Hambrick and Mason (1984) proposed the Upper Echelons Theory, which holds that the cognitive abilities, values, and other characteristics of the senior management team influence corporate strategy and performance.Kendall (1995) found that senior executives with higher age, higher education level and international experience have better business performance, while senior executives with overseas study experience are significantly negatively correlated with business performance. Zhang Dunli et al. (2015) believe that the personal characteristics of executives have a significant impact on the organization's strategy, structure, decision-making approach, and performance. It can be seen that the academic qualifications, age, education level and other personal characteristics of the executive has a positive impact on corporate performance. This article believes that in the same environment, more capable managers can more accurately understand and forecast trends of industry demand, efficient allocation and utilization of resources, cost reduction and forward-looking control of all kinds of risks, so that companies could be able to bring higher market share, faster revenue growth and sustained growth in profits. Therefore, this article establishes the following assumptions:

H2: There is a positive correlation between manager capability and the company's profitability sustainability. In other word, the stronger the manager capability, the greater the company's profitability sustainability.

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As the framer and implementer of a enterprise's development strategy, as the ultimate managers of enterprises, the level of management ability has an absolute influence on the sustainable profitability of enterprises. Zahra (2014) found that strengthening the corporate governance mechanism will help improve the company's operating performance; in addition, the better the manager's ability, the better the company's financial performance (Panayiotis, 2013). In reality, there are huge differences in managers' managerial abilities. Therefore, the degree of influence of corporate governance on sustained profitability may vary depending on the manager's abilities. In other word, companies with high-capacity management have a significant increase in the degree of impact on sustained profitability, while companies with low-capacity management have an insignificant impact on the sustained profitability performance. Therefore, this article proposes the following assumptions:

H3: Manager Capability can adjust the correlation between the company's internal governance ability and the company's profit sustainability. The stronger the manager's ability, the better the positive relationship between the company's internal governance and the company's profitability sustainability.

3. Research Design

3.1. Samples and Data

This article takes 2011-2020 listed A-share manufacturing companies as the initial research sample, and the data are all taken from the CSMAR database. In the process of sample selection, this article also excluded ST, *ST company samples and samples with missing data. In order to reduce the interference of extreme values on the conclusions of this paper, all continuous variables are processed with Winsorize at 1% and 99%bit points year by year. Finally, 16252 valid observations were obtained through screening.

3.2. Variable Definition

3.2.1. Explained Variable

This article draws on the current international mainstream methods of measuring earnings Sustainability (Ocak and Arikboga, 2017; Dou Huan and Lu Zhengfei, 2017), and measures earnings persistence with a first-order linear autoregressive model:

$$Earn_{i,t+1} = \alpha_0 + \alpha_1 Earn_{i,t} + \mu_{i,t} \quad (1)$$

Among them, $Earn_{i,\ t+1}$ is the profit of enterprise i at time t+1, $Earn_{i,t}$ is the profit of enterprise i at time t, i=1,2,...,m,t=1,2,...,n. $\mu_{i,\ t}$ is the error Item; α_1 is the profit sustainability coefficient, that is, the larger the $|\alpha_1|$, the stronger the dependence of the current period's profit on the previous period's profit, that is, the stronger the company's profitability. The accounting profit index used in this article is the return on assets (ROA=net profit/the average book value of total assets at the beginning and end of the period).

3.2.2. Explanatory Variable

This paper uses factor analysis to reduce the dimensionality of variables and extract the main information on a total of 20 internal governance features in three dimensions: equity governance, board and board of supervisor's governance, and management incentives, using factor composite scores as the overall corporate internal governance index (CGI). Thus, on the one hand, data dimensionality reduction can avoid the multicollinearity caused by too many governance feature variables in the regression model; on the other hand, the factor comprehensive score can more fully express the main information of the overall company's internal governance and governance characteristics of each dimension, reflecting the level of corporate governance. The definitions and measurement methods of the original characteristic variables used to synthesize the comprehensive governance index is shown in Table 1.

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Table 1: The original characteristic variables of internal governance

Corporate internal governance	Variable symbol	Variable meaning	Measurement method
Equity governance	X_1	Ownership concentration	Ratio of total shares held by top ten shareholders to total share capital at the end of the year
	X_2	Number of shareholders' meetings	Number of shareholders' meetings held in the fiscal year
	X_3	Proportion of tradable shares	Ratio of outstanding shares to total share capital at the end of the year
	X_4	Property right nature	When the actual controller is state-owned, the value is 1; otherwise, the value is 0
	X_5	Are the top ten shareholders connected	When the top ten shareholders are connected, the value is 1, otherwise the value is 0
Governance of the board of directors and the board of supervisors	X_6	Board size	Number of board members at the end of the year
	X_7	Proportion of independent directors	Ratio of the number of independent directors to the total number of directors at the end of the year
	X_8	Two position status	The chairman and the general manager are combined for one time, and the value is 1; Otherwise, the value is 0
	X_9	Consistency of work place of independent directors	If the working places of independent directors are the same, the value is 1; Otherwise, the value is 0
	X_{10}	Size of board of supervisors	Number of members of the board of supervisors at the end of the year
	X_{11}	Number of board meetings	Number of board meetings held in the fiscal year
Management incentive	X_{12}	Shareholding ratio of the board of directors	Ratio of the sum of the number of shares held by the members of the board of directors to the total share capital at the end of the year
	X_{13}	Shareholding ratio of the board of supervisors	Ratio of the sum of the number of shares held by the members of the board of supervisors to the total share capital at the end of the year
	X_{14}	Shareholding ratio of senior executives	Ratio of the sum of the number of shares held by the management at the end of the year to the total share capital
	X_{15}	Total remuneration of the top three directors, supervisors and senior executives	Sum of remuneration of the top three directors, supervisors and senior executives
	X_{16}	Total remuneration of the top three directors	Total remuneration of the top three directors
	X_{17}	Total remuneration of top three executives	Sum of top three executive salaries

3.2.3. Adjustment Variable

This paper draws on the two-phase model of DEA-TOBIT proposed by Demerjian et al. (2012) to measure manager capabilities. In the first phase, based on the idea of minimum input and maximum output, the corporate operating income (Sales) is used as the output indicator, and net fixed assets (PPE), research and development expenditure (R&D), goodwill (Goodwill), intangible assets (Intan), operating costs (COGS), sales and administrative expenses (SG$A) are used as input indicators. Using data envelopment analysis (DEA) to measure the overall efficiency (CCR) of the enterprise. According to the above settings, DEA is used to solve the optimization problem. The model shows as follows:

$$Max\ CCR = \frac{Sales}{v_1 PPE + v_2 NETR\&D + v_3 Goodwill + v_4 Intan + v_5 COGS + v_6 SG\$A} \quad (2)$$

Taking each sample enterprise as a decision-making unit (DMUS), DEA analysis can get the production efficiency value CCR of each enterprise, which is between 0 and 1.

In the second stage, since the operational efficiency of an enterprise is determined by the characteristics of the enterprise itself and the ability of the manager, it may be exaggerated or underestimated if only the efficiency of the firm is used to estimate them. For example, mediocre managers under large companies may obtain more terms and better operational efficiency than excellent managers under small companies when negotiating with suppliers. Therefore, the company-specific factors should be eliminated from the efficiency of the enterprise, and the part contributed by the manager should be separated. Using the relative efficiency value of the firm to make regression with company's characteristic variables, depending on industry, and also controlling the annual impacts. The rest part of

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regression ε is regression residual which cannot be explained by regression, and that is the manager's ability. According to the actual situation in China and the availability of data, on the basis of Demerjian and other models, this paper selects three company characteristic variables that may affect the operational efficiency of the enterprise: The size of the company(Size), which is the natural logarithm of the company's total assets; Free cash flow (FCF), which is the dummy variable of free cash flow and means 1 if non-negative free cash flow exists and otherwise 0; The listing age (Age), which is the natural logarithm of the listing years. Use model (3) to perform regression, the model shows as follows:

$$CCR = \alpha + \beta_1 Size + \beta_2 FCF + \beta_3 Age + \beta_i \sum Year + \varepsilon_{i,t} \quad (3)$$

The residual ε is obtained by regression on the model (4). The residual ε is the manager capability (MA), and the larger the residual term, the higher the manager capability.

3.2.4. Control variables

This article takes asset-liability ratio (Lev), enterprise size (Size), total asset turnover (Turn), growth (Grow) and price-to-book ratio (P) as control variables. The specific definitions and measurement methods of each control variable are shown in Table 2.

Table 2: Variable definition

type	Variable name	Symbol	Variable definition
Explained variable	Accounting surplus of the next period	$Earn_{i,t+1}$	The return on assets of the company in T + 1 year.
Explanatory variable	Current accounting surplus	$Earn_{i,t}$	Return on assets of the company in t year.
	Corporate internal governance	CGI	Generate the corresponding corporate governance index year by year through factor analysis
Adjustment variable	Manager capability	MA	Drawing lessons from Demerjian et al. (2012), using DEA-Tobit two-stage model calculation
Control variable	Asset liability ratio	Lev	The ratio of total liabilities to total assets
	Enterprise size	Size	Natural log value of total assets at the end of the period
	Total asset turnover	Turn	The ratio of net sales revenue to average total assets
	Growth	Grow	Main business income growth rate
	Price to book ratio	BP	The inverse of the ratio of the market price per share of a company's stock to the net assets per share

3.3. Model Construction

In order to verify the company's internal governance capabilities and the sustainability of the company's profitability, the following multiple linear regression model is constructed:

$$Earn_{i,t+1} = \alpha_0 + \alpha_1 Earn_{i,t} + \alpha_2 CGI_{i,t} \times Earn_{i,t} + \alpha_3 CGI + \alpha_4 Lev + \alpha_5 Size + \alpha_6 Turn + \alpha_7 Grow + \alpha_8 BP + \alpha_i \sum Year + \mu_{i,t} \quad (4)$$

In order to verify the manager's ability and the sustainability of the company's profitability, the following multiple linear regression model is constructed:

$$Earn_{i,t+1} = \alpha_0 + \alpha_1 Earn_{i,t} + \alpha_2 MA \times Earn_{i,t} + \alpha_3 MA + \alpha_4 Lev + \alpha_5 Size + \alpha_6 Turn + \alpha_7 Grow + \alpha_8 BP + \alpha_i \sum Year + \mu_{i,t} \quad (5)$$

On the basis of model (4) (5), the following multi-linear regression model is constructed to test the regulatory effect of manager's ability to internal governance and corporate profitability:

$$Earn_{i,t+1} = \alpha_0 + \alpha_1 Earn_{i,t} + \alpha_2 CGI \times Earn_{i,t} + \alpha_3 CGI \times Earn_{i,t} \times MA + \alpha_4 CGI + \alpha_5 MA + \alpha_6 Lev + \alpha_7 Size + \alpha_8 Turn + \alpha_9 Grow + \alpha_{10} BP + \alpha_i \sum Year + \mu_{i,t} \quad (6)$$

4. Empirical analysis

4.1. Factor Analysis of Corporate Internal Governance

Table 3 reports the KMO and Bartlett test values of the original characteristic variable system (Table 1) and the number of selected main factors under each corporate governance dimension. The table shows

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that the KMO value of the original characteristic index of each corporate governance dimension for all years is greater than 0.6, which indicates that the corporate governance index system is suitable for factor analysis, and the Bartlett sphere test has a significance P=0.000, which indicates that the variables are highly correlated and sufficient to provide a reasonable basis for factor analysis. The main component analysis extracts 6 components, and the proportion of the variance contribution rate of each selected principal factor to the cumulative variance contribution rate of all selected principal factors is used as the weight, and the comprehensive score of the weighted calculation factor is used as the comprehensive index of the corresponding internal governance of the corresponding year.

Table 3: Factor Analysis Results of Corporate Governance

KMO and Bartlett test		
KMO sampling appropriateness number		.662
Bartlett Sphericality Test	Approximate chi-square	123346.002
	Degree of freedom	136
	Significance	.000
	Number of main factors	6

4.2. Descriptive statistics

Table 4: Descriptive statistics of variables

Descriptive statistics					
	N	Min	Max	Mean	Sta.
ROA	16252	-0.285	0.233	0.044	0.070
CGI	16252	0.817	3.588	1.786	0.553
MA	16252	-0.560	0.458	0.000	0.227
Lev	16252	0.051	0.966	0.398	0.206
Size	16252	0.179	0.784	0.537	0.125
Turn	16252	0.079	2.302	0.668	0.385
Grow	16252	-0.569	2.287	0.163	0.370
BP	16252	-0.156	1.381	0.477	0.291

Table 2 shows the descriptive statistical results of the main variables. It can be seen from Table 2 that the mean, standard deviation, minimum and maximum values of ROA, which is an indicator of corporate profitability, are 0.044, 0.070, -0.285, and 0.233, respectively, indicating that the sample company is profitable as a whole, but the profitability level is low. The mean, maximum and minimum values of CGI, which represents the internal governance of the company, are 1.786, 3.588 and 0.817, respectively, indicating that the overall corporate governance of the sample companies is relatively good. The mean value of manager ability (MA) is 0, and the maximum and minimum values are 0.458 and -0.560 respectively, indicating that there is a significant differences between managerial capabilities, which means that managers of the ability of managers of different companies to generate income from established resources is significantly different, the control variables also have obvious differences among different companies. As a whole, it can be seen that the research sample has a good degree of discrimination, and regression analysis can be performed.

4.3. Correlation analysis

Table 5: Correlation analysis results

	ROA	F.ROA	CGI	MA	Lev	Size	Turn	Grow	BP
ROA	1								
F.ROA	0.565***	1							
CGI	0.131***	0.143***	1						
MA	0.085***	0.046***	-0.001	1					
Lev	0.431***	0.318***	0.311***	0.026***	1				
Size	0.036***	0.051***	0.303***	0.005	0.450***	1			
Turn	0.240***	0.201***	0.027***	0.023***	0.131***	0.136***	1		
Grow	0.250***	0.159***	0.092***	0.053***	-0.004	-0.014*	0.115***		
BP	0.128***	0.161***	-0.013*	0.029***	0.052***	0.486***	0.039***	0.095***	1

*** p<0.01, ** p<0.05, * p<0.1

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In order to test whether there is multicollinearity between variables and to ensure the validity of parameter estimation, this paper conducts Pearson correlation analysis on the main variables studied, and the analysis results are shown in Table 2 (F.ROA represents the next phase of ROA Numerical value). It can be seen from the table that CGI, ROA, and F.ROA are both significant at the 1% level, and MA, ROA and F.ROA are also significant at the 1% level, which preliminarily verifies the previous hypothesis and conforms to the research expectations of this paper. Except for the systematic correlation between ROA and F.ROA variables, the absolute values of the correlation coefficients among other variables are all less than 0.5, indicating that there is no multicollinearity problem among the variables.

4.4. Regression analysis

Table 6 is the results of models (1) and (2). Taken together, among the observed factors that can affect the company's next-period profit F.ROA, the coefficient of the current period's profit ROA is significant at the 1% level, which proves that the profit of the selected sample is sustainable. From the table, both models passed the F test. The results of model (1) show that the coefficient between CGI*ROA and F.ROA is 0.0672, and it is significant at the level of 1%, which indicates that corporate internal governance has a positive effect on the sustainability of corporate earnings. The results above validate the hypothesis H1 that the better the company's internal governance, the stronger the sustainability of the company's profitability. In the model (2), the regression coefficient between MA*ROA and F.ROA is 0.0973, and it is significant at the level of 1%, indicating that the ability of company managers has a positive impact on the sustainability of corporate profits. The results above verify the hypothesis H2 that the stronger the manager's ability, the stronger the sustainability of the company's profitability.

Table 6: Regression analysis results of model (1) (2)

VARIABLES	F.ROA	
	(1)	(2)
ROA	0.567***	0.452***
	(14.28)	(29.04)
CGI	0.00617***	
	(4.09)	
CGI*ROA	0.0672***	
	(3.19)	
MA		0.00257
		(0.78)
MA*ROA		0.0973**
		(2.12)
Lev	-0.0632***	-0.0664***
	(-15.64)	(-16.42)
Size	-0.0833***	-0.0714***
	(-14.08)	(-12.47)
Turn	0.0195***	0.0204***
	(13.82)	(14.37)
Grow	0.00663***	0.00502***
	(3.86)	(2.94)
BP	0.0430***	0.0410***
	(15.64)	(14.77)
Constant	0.0617***	0.0463***
	(11.70)	(10.70)
Year	Control	Control
Observations	16,252	16,252
Adj R-squared	0.362	0.357
F	320.93	298.18

The corresponding t statistic in brackets, *** p<0.01, ** p<0.05, * p<0.1

Table 7 shows the results of regression after adding moderating variables. The results show that the coefficient of CGI*ROA*MA is 0.0394, which is significant at the 1% level, and it means that managerial ability plays a positive role in the relationship between the company’s internal governance and the company’s profitability sustainability. The results above validate the hypothesis H3 that the stronger the manager’s ability, the more positive the relationship between the company’s internal governance and the company’s profitability.

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Table 7: Regression results of regulatory effect

VARIABLES	F.ROA
ROA	0.568***
	(25.13)
CGI	0.00623***
	(6.23)
MA	0.00150
	(0.69)
CGI*ROA	0.0667***
	(5.86)
CGI*ROA*MA	0.0394***
	(3.1)
Lev	-0.0630***
	(-20.27)
Size	-0.0845***
	(-15.34)
Turn	0.0196***
	(15.53)
Grow	0.00657***
	(5.10)
BP	0.0429***
	(20.00)
Constant	0.0621***
	(14.05)
Year	Control
Observations	16,252
Adj R-squared	0.3613
F	511.65

The corresponding t statistic in brackets, *** p<0.01, ** p<0.05, * p<0.1

4.5. Robustness Test

In order to test whether the research conclusions of this paper are robust and enhance the reliability of the conclusions of this paper, this paper carries out the following robustness test: First of all, using earnings per share (EPS) instead of total asset return rate (ROA). Secondly, drawing on the practice of He Weifeng and Liu Wei (2018), the manager's ability was re-estimated in ten equal parts, and finally the data from 2011 to 2015 were selected for regression. The results of regression test does not change substantially, which fully proves the assumption of this paper. It is shown that the research conclusions of this article are relatively robust.

5. Conclusion

The issue of corporate profitability has always been the focus on the academic community, and in the increasingly complex economic environment, how companies continue to make profits has always been the most concerned issue for companies. Therefore, this paper selects 2011-2021 listed A-share manufacturing companies as the research sample to empirically test the impact of corporate internal governance on the sustainability of earnings, and on this basis, further exploring the moderating effect of manager capabilities on the relationship between two studies have shown that corporate internal governance has a significant positive impact on the sustainability of earnings, which means that the better the corporate internal governance, the stronger the sustainable profitability of the company. After further considering the manager's ability, it is found that the manager's ability positively regulates the relationship between the company's internal governance and the sustainability of profitability. In other word, the stronger the manager's ability, the more significant the positive impact of the company's internal governance on the sustainability of the company's profitability.

The research in this article is helpful to enrich the research content of corporate internal governance, manager capabilities and corporate profitability sustainability. At the same time, it has a certain reference effect on the improvement of internal governance and managerial capabilities of listed manufacturing companies. On the one hand, the company must do a good job in comprehensive internal governance,

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strengthen and upgrade from all aspects mentioned in this article, and build a high-quality internal control and external supervision mechanism. On the other hand, the company should attach great importance to the role of managers in investment decision-making, actively introduce competent managers through the open manager appointment mechanism, and give managers sufficient resource allocation power on the basis of an effective supervision mechanism, which helps to improve the company's sustainable profitability, which is more conducive to the survival and development of the company.

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