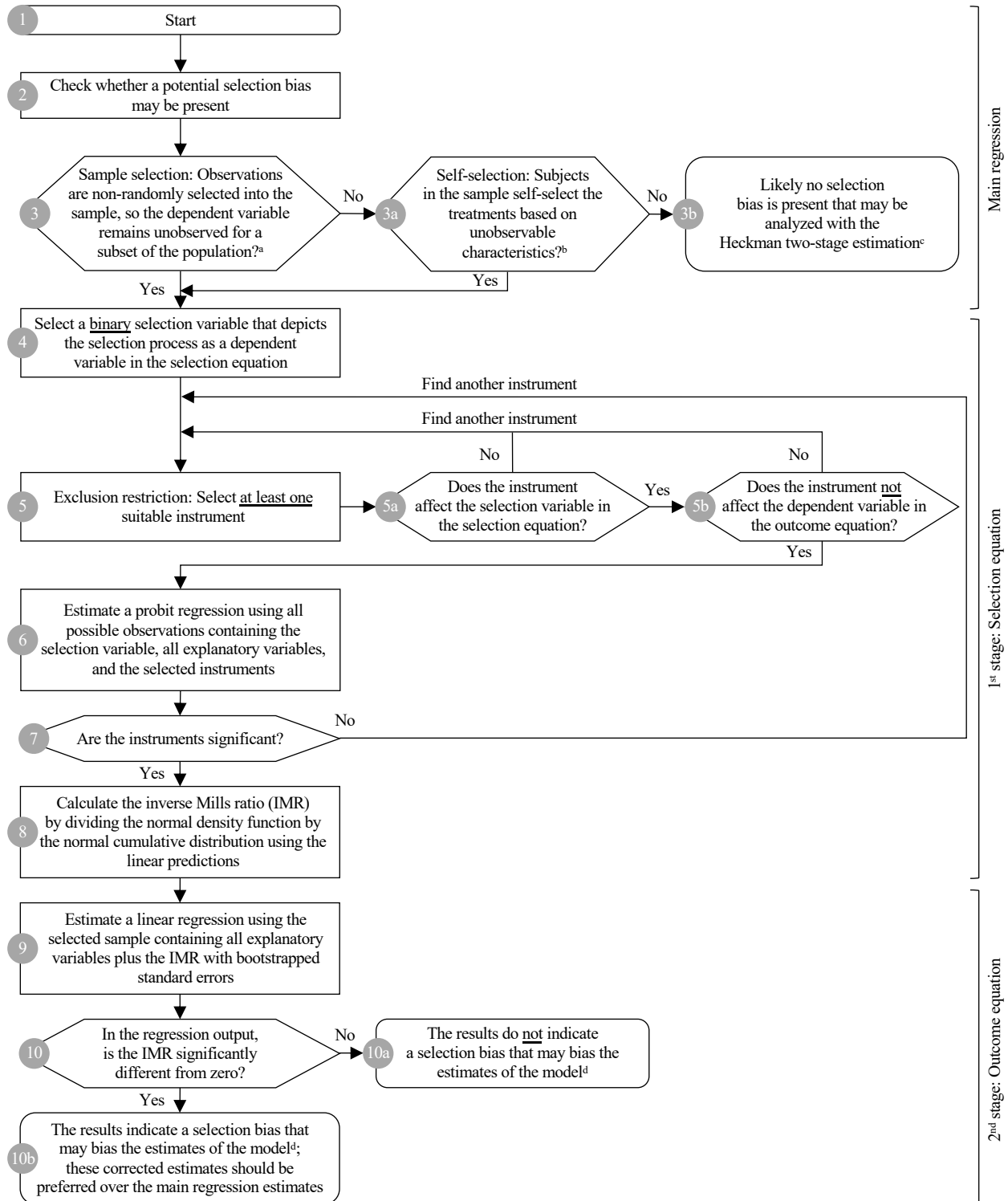


Flowchart of the two-stage estimation following Heckman (1979)



Note that process steps may be simplified.

a – Example: Analysis of antecedents of R&D investments, where some firms may not report their R&D.

b – Example: Analysis of antecedents of R&D investments, where firms make R&D choices based on unobservable characteristics that correlate with the outcomes and observable predictors.

c – Note that another source of endogeneity may be addressed with alternative techniques.

d – Note that there may be sources other than selection bias that can cause an endogeneity bias that cannot be identified with the Heckman two-stage estimation.

