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**What To Pay and How to Decide?  
A Fast and Frugal Tree Approach to Determining Compensation**

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## **What To Pay and How to Decide?**

### **A Fast and Frugal Tree Approach to Determining Compensation**

#### **Abstract:**

Compensation decision-making in organizations is a complex process that requires balancing multiple, often conflicting, criteria such as internal equity, market alignment, budget constraints, and strategic priorities. Traditional compensation models rely on compensatory decision-making frameworks that assume rational trade-offs, but these models can be computationally demanding and impractical in fast-paced environments. This study introduces a Fast and Frugal Tree (FFT) model, a non-compensatory, lexicographic heuristic that allows for efficient, sequential decision-making using a limited set of key cues. The proposed model enhances ecological rationality by ensuring decisions remain parsimonious, transparent, and adaptable to dynamic organizational constraints. By integrating Analytic Hierarchy Process (AHP) for cue weighting and stochastic tolerance for uncertainty, this study advances a novel decision-making framework for HR professionals. The FFT approach has broader implications for recruitment, promotions, and trade union negotiations, providing an alternative to computationally intensive methods.





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