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Decision-Making Dynamics in Generative AI Environments

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Abstract

This essay examines the shifting nature of decision-making in generative AI environments through a teaching-focused perspective, grounded in real classroom experiences at IIT Delhi. Incorporating interviews, classroom discussions, and foundational theories from consumer behavior and cognitive psychology, the authors explore how individuals interact with AI-generated content under constraints such as time, energy, and situational context. The analysis reveals how users alternate between satisficing" and "optimizing" strategies based on the stakes involved, cognitive effort required, and social factors. Drawing on Herbert Simon's concept of bounded rationality, the study illustrates how AI systems can both expand decision complexity and improve efficiency. Student experiences with tools like ChatGPT bring to light common cognitive patterns—anchoring bias, trade-off reasoning, social influences, and mixed use of compensatory and non-compensatory decision strategies. These insights suggest that while AI reshapes the decision-making process, it cannot supplant human judgment. Recognizing these cognitive tendencies can help both users and designers foster more deliberate, context-aware interactions with AI tools.

Keywords: satisfying, compensating, optimizing, consumer behavior.

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1 A New Companion in Everyday Decisions

It's a pretty common scene nowadays: someone sitting at a laptop, toggling between AI and their own train of thought, trying to get a to-do list sorted, or a presentation outlined, or just a break from the monotony of yet another "quick update" email. Generative AI—whether it's ChatGPT, Gemini, or some other tool—has slipped almost quietly into the routines of students, professionals, artists, and tinkerers. But if you spend time talking to real users (and, as teachers and researchers, we do), it quickly becomes obvious that these tools, for all their novelty, haven't erased our classic decision dilemmas. In some ways, they've made certain internal battles even sharper.

Take a walk through our own classrooms, or flip through recent assignment submissions, and you'll catch the same refrain: AI is everywhere, but the human struggles—balancing attention, weighing effort, and deciding when "good enough" is really enough—are as present as ever.

2 Time, Energy, and the Old Logic of "Enough"

Consider a typical day: deadlines loom, there's a pile of unread messages, and expectations for performance seem as relentless as inbox notifications. Faced with so many possible drafts, options,

summaries, and auto-suggestions, people don't suddenly turn into infinite optimizers. Instead, they carve out priorities the way they always have—sometimes handing off low-stakes or tedious work to AI, sometimes engaging in an almost obsessive back-and-forth to get a high-stakes answer just right.

Even with powerful AI tools at our fingertips, the way we make decisions still reflects the basic human limits that Herbert Simon (1995) described decades ago. Bounded rationality isn't something we choose to apply - it's the reality we live with every time we decide under pressure, with incomplete information or limited mental energy. In practice, that means people often go with the first reasonable AI-generated suggestion for everyday tasks like sending a routine email or responding to a standard request. But when it comes to something complex or high-stakes-like preparing a proposal or writing code-they naturally lean in, revisiting prompts, refining outputs, and sometimes starting over to make sure it meets their own internal standard of "right."

What's driving these shifts? If you ask around, it's rarely about "compromise" in a negative sense. Most people consider it intelligent resource management. They're deploying a version of what psychologists call *satisficing*—grabbing something that's "good enough" and moving on, mostly to conserve mental energy for what truly matters (Schwartz et al., 2002). The alternative, *optimizing*, is reserved for those moments when stakes (or pride, or public scrutiny) demand a near-perfect result, and users are often painfully aware of the extra cost in time, effort, or attention.

3 The Plethora Problem: Abundance, Overload, and Cognitive Strain

On paper, the promise of AI-assisted decision-making is endless. AI can compare options with a speed and breadth no human could ever match. It can provide hundreds of ways to phrase an idea, tailor a summary, even suggest five ways to solve a programming bottleneck.

But here's where reality bites: talk to AI users long enough and you'll hear, over and over, that more is not always better. The freedom to instantly conjure up a dozen new options sometimes feels like a curse, not a boon. One student described working through three or four drafts for a short essay, only to pick the very first one because "all the new versions started blending together." Colleagues echoed this sentiment: for everyday communication or uncomplicated research, users quickly tire of sifting, and are happy to pick what's satisfactory and just keep moving.

Sweller's (1988) notion of cognitive load helps explain why the age of information abundance can feel strangely stifling. There is, as Simon warned decades ago, a real mental cost to managing options. Every new piece of information, every "just one more idea," adds to the tally—not just in time but in memory and focus. Eventually, we are nudged into a version of satisficing not because we want to cut corners, but because it's the only sustainable path through a crowded day.

4 System 1, System 2, and Everyday "Zigzagging"

It turns out that Daniel Kahneman's (2011) theory of System 1 and System 2 thinking plays out with new vividness in AI-rich environments. Under pressure, people default to rapid, intuitive judgments—relying on first instincts or the initial AI-generated answer. This System 1 processing is not inferior; it's simply practical when time and stakes are low. It's only when a task is especially important, or when an error could cost real money or reputation, that System 2, our slow, analytic, and effortful reasoning, kicks into gear.

So instead of painting people as lazy for not "going deeper," it makes sense to recognize that we're all just managing constraints. In survey after survey, users confirm that they switch, sometimes without realizing it, between "good enough" and "must get it right." For instance,

preparing for a job interview might mean ten rounds of refining questions with AI, each time aiming for clearer, more relevant, more tailored prompts. Meanwhile, learning a basic concept or firing off a logistical message remains the domain of quick satisficing.

Several researchers have made this dynamic explicit, showing that time and accuracy—combined with perceived importance—are what shape where people land on the satisficing-optimizing spectrum. In general, when accuracy is non-negotiable and time is flexible, we see full-blown optimization. When time is short and the outcome is less consequential, people rightly favor fast, low-effort paths.

5 Trade-offs, Compensatory Logic, and When "No Mistakes Allowed"

Not all decisions should be, or can be, flexible. Many users spoke about moments where it didn't matter how good or creative the AI's response was; if there was a single flaw—an incorrect financial figure, a coding bug, a logistical violation—it was straight to the discard pile. These are classic cases of non-compensatory decision-making. Here, one "dealbreaker" drives out all other positive attributes, and for good reason: in certain domains, error is not an option.

On the flip side, people also report cases of weighing multiple, sometimes conflicting, variables—budget, convenience, aesthetics, originality—and using AI to shuffle and balance these priorities. Planning travel, running scenarios for case competitions, brainstorming brand campaigns: these are all spaces where AI's flexibility shines. Here, compensatory thinking rules: an advantage in one area can offset a weakness elsewhere. What's different now is that AI can give users a running tally of alternatives in seconds, letting them "audition" trade-off scenarios they'd never be able to compare by hand.

This duality—sometimes rigid, sometimes flexible—means AI tools that support both hard-edged filters and multi-criteria balancing are far more likely to stay relevant in practice.

6 Heuristics and the "New Normal" in Decision-Making

Perhaps the most fascinating twist arise in recent research and interviews by students in our Consumer Behavior course, where hybrid heuristics emerged—decision shortcuts shaped both by classical cognitive tendencies and by the AI's own nudges. Generative AI is trained to echo typical human decisions, so it often reinforces known human biases: anchoring, the "primacy" effect, or defaulting to majority behavior (Tversky & Kahneman, 1974; Gigerenzer & Gaissmaier, 2011). But there are moments, users note, when AI surfaces fresh perspectives, new phrasings, or unexpected solutions, sometimes broadening what people consider possible.

Over weeks and months, the relationship becomes iterative. Users describe changing how they frame questions—not for a human audience, but to "fit" what the AI seems to expect. Similarly, many tools now adapt to user style, learning common requests, or pushing users to refine prompts to achieve specificity. In this co-evolution, the line between user and tool blurs a bit further with every iteration (Norman, 2013; McAfee & Brynjolfsson, 2017).

Another clear finding is the social nature of these choices. Projects tackled alone see more satisficing and less scrutiny, but shared or public work prompts longer reviewing and back-and-forth edits. Teams deploy AI in new brainstorming rhythms—exploring multiple prompts, comparing outputs, and drawing from the machine's breadth before switching back to group judgment.

7 The Road Ahead: Unanswered Questions and Practical Implications

All this leaves us with more than a few open questions, both for those designing AI tools and for researchers studying organizational behavior and technology. How can systems be built to gently signal when users might benefit from a shift—satisficing in routine moments, optimizing when stakes jump? Should interfaces adapt in real-time to the cost of attention, the number of options shown, or the deadline ticking down?

There's also a pressing social issue: if millions of users rely on generative AI for everything from content creation to feedback, whose heuristics are being reinforced? Is AI helping maintain diversity in thought, or—by optimizing for consensus and efficiency—might it push us toward safer, more uniform choices? The literature is just beginning to scratch the surface on how these habits accumulate over months and years (Davenport et al., 2020; Mikalef et al., 2023).

For schools, companies, and policy-makers, this matters. Supporting skill-building around when to optimize and when to satisfice is just as vital for teachers and innovators as is technical literacy. Teams that encourage flexible use—sometimes seeking speed, sometimes demanding depth—will do more with AI than those enforcing blanket "best practice" routines.

From a research perspective, we need to look beyond static snapshots of tool use. Longitudinal studies, ethnographic observation, and more fine-grained measurement are needed to really chart how decisions evolve as people interact with AI in daily life. The intersection of technology, psychology, and communication is a living lab—one that grows more dynamic, and sometimes more confusing, with every update.

8 Final Reflections: Still Our Call

A generation ago, it would have been hard to imagine a machine helping to craft your cover letter or weigh the travel trade-offs for a family vacation. Now, such partnerships are routine. But for all the new variables and possibilities, the rhythms of old decision dilemmas still echo in every session: when to push for better, when to settle for enough, what matters now, and what can wait. AI didn't erase human judgment, it made it more visible. The challenge—and opportunity—facing this next wave is not about removing the human from the loop, but about helping users sharpen their judgment and freeing them to be bolder where it counts.

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