

# Chesapeake Energy Fuels Growth with Strategic Focus on Human Capital



Chesapeake Energy Corporation  
Oklahoma City, OK  
www.chk.com

**Industry:**

Oil & Gas

**Annual Revenue:**

US\$7.8 billion

**Employees:**

Approximately 6,300

**Oracle Products & Services:**

PeopleSoft Enterprise Human  
Capital Management  
Human Resources  
Payroll  
Benefits Administration  
Enterprise Learning Management  
Employee Self Service

**Key Benefits:**

- Enhanced ability to track workforce metrics and assess resources
- Automated core HR processes, reducing paperwork and manual data entry
- Reduced processing time for stock awards from three days to two hours
- Managed explosive business growth with single companywide HR system

*“PeopleSoft has been a catalyst for breaking down functional silos and exposing new ways that we can work more closely across business units.” – Jeff Gardner, Director of IT, Business Systems Group*

When Fortune magazine named Chesapeake Energy to its list of “100 Best Companies to Work For” this year, company executives were honored—but not surprised. After all, the Oklahoma City-based natural gas producer has been investing in its work force and keeping a close eye on labor markets for decades. “First and foremost, Chesapeake is a people company,” says Aubrey McClendon, the company’s cofounder and chief executive officer. “Talent creates value and our company has an abundance of talented people.”

Chesapeake’s focus on people paid off in the 1990s when the company correctly anticipated a shortage of oil and gas workers and aggressively started hiring young technical talent. That strategy helped Chesapeake exploit the boom times that followed, as natural gas prices surged and Chesapeake realigned the business to reap maximum value from its 39,200 U.S.-based producing wells. Says McClendon: “We were one of the first companies to recognize and capitalize on tightening supply-demand fundamentals and the permanent upward shift in U.S. natural gas prices that began in 2000.”

Today, Chesapeake is the second-largest independent natural gas producer in the U.S. and the third-largest overall. As it gears for more growth, the company continues to invest in its people with new enterprise software from Oracle to consolidate and streamline payroll and benefits, and implement better HR benchmarking capabilities to stay abreast of the competition.

**Deep Pool of Talent**

Chesapeake has been hiring at a brisk pace over the last three years. It added over 1,300 employees in 2007 alone, bringing the total work force to about 6,300. More than 1,300 are employed in Chesapeake’s geoscience, land and engineering departments, of

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Lorrie Jacobs  
VP of Compensation and Benefits  
Chesapeake Energy

which, 70% are degreed professionals. The depth and diversity of its technical talent gives the company an edge in specialties such as 3-D seismic interpretation, unconventional reserves analysis, and deep vertical and horizontal drilling capabilities that help Chesapeake locate and tap its natural gas reserves. Also essential are the teams of skilled “landmen” who acquire and manage the company’s portfolio of leased properties that today cover 14 million acres.

Finding and retaining skilled workers remains as challenging as ever, executives say. The industry-wide resurgence in drilling activity came at a time when the country was graduating fewer geoscientists and engineers than in years past. (Just 3,500 petroleum scientists and engineers graduated last year compared to almost 44,000 new lawyers.) As a result, companies are finding it tougher to fill openings and many are retooling their pay packages to match the competition.

### Industry Benchmarking

“Our goal is to stay on the cutting edge in benefits and compensation—our total reward package,” says Lorrie Jacobs, Chesapeake’s vice president of compensation and benefits. “We are constantly analyzing and benchmarking data against other companies in our industry in order to offer the best compensation package to attract top recruits.”

Those comparisons are easier to generate since the company consolidated on a common human resources platform in late 2006, Jacobs says. The new system, built with Oracle’s PeopleSoft Enterprise human capital management software, replaced five HR systems—some of them outsourced—spread across several business units. Now, when Chesapeake needs to pull together information to participate in various surveys, Jacobs’ team can query a single application in a fraction of the time.

### Complex Workforce

With its unique work force profile, the oil and gas industry poses special challenges for HR managers, says Jeff Gardner, director of IT in the company’s Business Systems group. “We’re not a manufacturing business making widgets. We have drilling services and trucking companies with complex pay scales that vary from state to state. We employ rig workers who get longevity

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increases that are measured in very different time frames than traditional businesses.”

The consolidated system will help Chesapeake’s HR managers deal with these complexities in a consistent way—and boost productivity by automating routine HR tasks. Gardner says the move to PeopleSoft “eliminated a lot of paper and handoffs, and numerous Excel spreadsheets we had to track, manage and report.”

### **Streamlining HR**

For example, a payroll administrator can process employee stock taxation faster, taking just two hours compared to three days before implementing PeopleSoft. Analysts can easily mine the system for business intelligence, such as turnover rates, employee performance metrics and resource assessments.

The implementation created a single company-wide payroll system, as Chesapeake brought several outsourced payroll services in-house. “We’ve integrated vertically,” Jacobs says, adding that HR managers appreciate having direct control over key functions, especially when reporting deadlines loom. “We’re much more comfortable with the integrity of the data,” she says.

### **Unlocking Potential**

Chesapeake plans to roll out more HR services with an eye to improving convenience and reducing overhead. It has launched a self-service HR site where employees can change their addresses, set up direct deposits, view pay stubs and sign up for benefits—a handy service that also translates into less work for the HR staff. The company also wants to expand its enterprise learning management (ELM) program that allows employees to enroll in training courses and track their progress online. Other plans call for leveraging technology to enhance and streamline Chesapeake’s recruiting process.

Fortunately, recruiting and retaining people is one of Chesapeake’s strong suits, as evidenced by Fortune Magazine’s “best company to work for” designation. In order for Chesapeake to thrive long term, executives say the company will need to come up with new ways of attracting and inspiring the next generation of workers.

One way that Chesapeake hopes to bridge the gap is by pairing senior employees with younger staff as part of a mentoring program that promotes knowledge exchange and career guidance. Chesapeake is also bringing some creative thinking—and fun—to the corporate campus, where it has built a theatre for employees to gather during office hours for “town hall” meetings and after work for movies and football on the big screen. It offers conveniences such as an on-site health clinic and fitness center to help employees lead a balanced work life.

“Information technology will play a big role in Chesapeake’s evolving workplace,” Gardner says. Beyond streamlining and automating business processes, Gardner believes technology can be a stimulus for rethinking the way people work together. “PeopleSoft has been a catalyst for breaking down functional silos and exposing new ways that we can work more closely across business units,” Gardner says. “It supports our wonderfully talented people who we believe are the source of our competitive advantage.”

*Chesapeake Energy Corporation is the largest independent producer and third-largest overall producer of natural gas in the United States.*