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COOL 2001

Defining Cool

Once upon a time in Silicon Valley ... Okay, this year was no fairy tale, but there's plenty of tech to celebrate.

Here's what we learned while searching for Cool Companies this *annus horribilis*. No. 1: It was a very, very bad year to be a company masseur. No. 2: Retro--as in profits--is back. (It's the new black, if you will.) No. 3: Cash bars are de rigueur.

In years past we've learned slightly more cosmic things. But the startup environment these days teeters somewhere between post-apocalyptic shock and hopeful desperation, making it a particularly, well, poignant time to search for cool.

Here's a typical--and true--scenario: In early spring a chirpy young flak calls from a hot San Francisco "relationship marketing" company (don't ask), relentlessly pitching her employer. A few days later she calls back. Is she following up? Not quite. She's now pitching her husband's company--in the three-day interim she has been pink-slipped. Press releases, too, reflect the increasing desperation of these lean times. One proudly trumpets CommerceRoute, "a box that converts any form of data to any other form of data and then does what you tell it to do." (But can it chop and dice too?)

Beneath the devastation, however, cool lives. Take Genoa, a chip company whose product was thought by some to defy laws of physics. Or Atheros, which is refining a new wireless standard that could rock the industry.

Though this is without a doubt the toughest year for techies since FORTUNE launched its list in 1993, choosing what's cool has essentially remained unchanged. Yes, we've opened the field to people, products, and trends. Yes, we took a more sober and measured approach to our list. Still, we followed the same procedure: We polled the smartest people we know and combed through hundreds of startups. And in the end, as always, choosing what's cool comes down to pornography. As in: Defining it is nearly impossible. But you know it when you see it.

Dick Strayer

Dick Strayer, a 54-year-old Ph.D. and MBA, counsels venture capitalists and their needy startups.

The Patients: Stressed-out partners from ten VC firms ranging from Kleiner Perkins to Olympic Venture Partners.

Patients' Complaints: Symptoms include everything from tyrannical leaders emulating their military fathers to friendships torn apart by error-ridden business plans.

Doctor's Evaluation: "We're working with people who a year ago thought they were on the verge of tremendous wealth," says Strayer. "Now they're taking companies apart, while they themselves are feeling troubled and broken."

Prescriptions: Hastening the exits of unfit CEOs; arranging corporate heart-to-hearts at his ranch in Davenport, Calif.; and urging lots of individual counseling sessions:

"Probably half the people I've worked with have broken down in tears at some point."

--Lee Clifford