

ALL WORK/ALL PLAY

# Simple question inspires musician's second career

By Maisie Wilhelm

**SONDERBORG, Denmark**

Eighteen years ago, Laurits Larsen was a successful violinist in a state-supported symphony orchestra in Denmark. Then a musician friend made a seemingly simple request that altered the direction of his musical career. "Can you get me a good A-string?" his American friend asked. "I need 300 cello strings."

The proposition intrigued Larsen. He discovered that Jargar, a leading maker of strings for musical instruments based in Copenhagen, had a 10- to 12-month waiting list for A-strings, the highest-pitched and thinnest of cello strings.

"Immediately I knew I was the right person to do this," said Larsen, who by now knew that he was not likely to become a leading international soloist despite his passion for music.

Instead, he would build a better string. After 18 months of product development, Larsen felt he had perfected his strings and began selling them to musicians, including his American friend.

Today, Larsen Strings, the company he founded in 1990, is one of only about 10 string makers in the world, and is one of the industry leaders. He now sells through distributors.

Larsen Strings makes complete sets of cello, violin and viola strings — over 60 different sets in all. The retail prices range from around 154 kroner to 521 kroner, or about \$26 to \$89. Larsen Strings, a private company, does not disclose financial data.

Larsen has two dozen employees at its facility in Sonderborg, on the eastern coast of the Danish peninsula near the German border. The exterior is modest, but inside, the factory is a hive of high-tech activity.

Spools of metals are stacked on shelves around cutting-edge machines that are built according to designs kept secret by his company.

Making strings is complicated. The basic product consists of wire wrapped around a core, but hundreds of possible materials — including intricate steel wires, metal alloys, and multifilament materials — combined with various methods of winding, yield dramatically different results.

As a musician, Larsen, 51, knows the intricate nature of high-quality strings. "Within a string you

must be able to go from the very softest whisper to the roar of a lion within a split second," he said. "You need brightness combined with warmth, and that is where the real difficulty is."

Larsen had to figure out how to make strings by trial and error, he said, and reverse engineering. He dissected used strings and studied them under microscopes to see how they were wound.

"There is virtually no written material on string making," he said. "It was like going through a detective novel."

In the first 18 months Larsen invested \$80,000 of his savings in the endeavor, while his wife supported the couple and their newborn son. He found a 100-year-old machine for making piano strings and put it in his garage, using it to tinker with his cello string. A friend helped him try out the first products.

"They all sounded terrible," Larsen said, laughing. "Each time, we would put on a Jargar string for comparison and it still sounded better. Then we would share a bottle of Barolo."

Eventually he hit on the right combination of alloys wound onto a solid steel core. Each manufacturer has its secret formula, and Larsen carefully guards his, though he reveals that among his materials are aluminum, titanium, tungsten, steel and silver.

Professional musicians say Larsen strings provide exceptional sound and constancy.

"Their sound is at once round and powerful, ex-



Courtesy of Larsen Strings A/S

For months, Laurits Larsen tinkered in his garage before finding the right designs for more than 60 different sets of strings for cello, violin and viola.

empt of interferences, and presents a homogeneous harmony," said Philippe Muller, a professional cellist and professor at the Conservatoire Supérieur de Paris. The strings also acclimate instantly to the instrument, Muller said, which is important for traveling performers.

Larsen estimates that he sold fewer than 1,000 strings in the first year of production, when he was still playing in the orchestra and making the strings in his garage. He took a leave of absence to concentrate on the business, and after two and a half years he resigned from the symphony.

"I decided, now I am a string maker," he said. "I threw myself into something I didn't know much about. But I believe what William Blake said in 'Proverbs of Hell': 'If the fool would persist in his folly, he would become wise.'"

"In a way that was what happened to me."

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BALANCE SHEET

Jim Peterson

# Going, going, gone

Remember the old vaudeville routine about the clumsy mountain climber who slips off the cliff? As he hurtles past, his buddy shouts, "How you doing?" The answer echoes back, "Okay — so far!"

A similar tone undercuts the otherwise useful release last month of "Competition and Choice in the UK Audit Market," a report by the Oxaera consulting firm under the sponsorship of the Financial Reporting Council and the Department of Trade and Industry ([www.frc.org.uk/press/pub1083.html](http://www.frc.org.uk/press/pub1083.html)).

Concern is growing over the shrinkage to four global accounting networks. The issues came into high relief this month when the accounting regulator in Japan suspended the audit practice of PricewaterhouseCoopers

for two months in connection with five years of falsified accounts at the cosmetics group Kanebo.

The suspension over Kanebo does not extend to work done for Japanese companies or subsidiaries to comply with the laws of other countries — for example, to satisfy the requirements of the U.S. Securities and Exchange Commission. So PricewaterhouseCoopers got a break, which might spare it the fate of Arthur Andersen, whose clients abandoned it after the firm's 2002 indictment over its work for Enron.

Even so, two unpleasant prospects confront some 2,300 Japanese companies: the cost, disruption and limited choice in finding a new auditor, or the risk of not having one at all. While PricewaterhouseCoopers is pressing on to replace its suspended entity with a new one, aiming to hunker down and ride out the two months, client defections are already occurring.

The prospect that Kanebo could trigger the disintegration of another Big Four firm — what Oxaera calls the "Four-to-Three" scenario — cannot be discounted. But the consulting firm's view that this chain of events would only "exacerbate problems around auditor choice" is a bit of British understatement on a scale not seen since King George III was told that the colonials in Boston were falling a bit behind in their taxes.

The death threat to the large auditing firms is not only a matter of reputation, as with PricewaterhouseCoopers in Japan, but financial. The precedent, updated to a much larger

version, was the 1989 litigation shipwreck that sank Lenthall & Horwath, a midsize Philadelphia firm. The same mortal litigation blow awaited Arthur Andersen, had it not been for the quicker death inflicted by its post-Enron indictment.

Oxaera cites the two familiar limits on clients' choice of auditors in a four-firm world. First, regulatory constraints prohibit an accounting firm that provides whole ranges of consulting, tax or advisory services to an enterprise from also serving as its auditor. Second, the limited geographic and industry coverage of the middle-tier firms effectively disable them as alternatives.

In Britain, the Big Four — Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers — audit all but one of the FTSE 100 and 242 of the 250 next-largest corporations. With auditor choice severely restricted across the board, Oxaera notes that in such sectors as banking and insurance, large companies would have no alternative to their present auditor even if they did wish to change.

Oxaera posits that a solution to the paralysis of losing another firm would be waivers by the regulators. But such a screeching U-turn is politically inconceivable, after the protracted demonization of the accounting profession for its supposed conflicts and loss of virtue.

And by limiting the scope of its inquiry to Britain, Oxaera misses the point that large-firm audit dominance is at least as great elsewhere in Europe, but with different firms in leading positions. Where PricewaterhouseCoopers audits the most of big companies in Britain, Ernst & Young is the leader in France; in Germany it is KPMG, and in Spain it is Deloitte. Loss of any one of these firms would eliminate auditor availability for a significant population of global companies.

The business reality, then, is not Four-to-Three, but Four-to-Zero. Imperiled as the large-company audit franchise is, the regulators and politicians have no lifeline to offer the accounting profession. When the next big network goes over the cliff, there will be nothing to break the fall of the Big Four all the way to the bottom.

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APPLE, From Page 16

the ability to make fantastic products and the ability to market them in a way that makes you really want them."

Well, not all of their products all of the time. Mac sales have been sluggish as some prospective buyers stand aside while the company switches to Intel chips from its longtime supplier, **International Business Machines**. This may seem an arcane matter to non-geeks, but it is critical to the way the machines operate.

The IBM chips effectively had a speed limit; the faster the machines ran, the hotter they became. Intel's chips are considered superior in power consumption and heat dissipation, but the changeover is not expected to be completed until early next year.

"The company is in the middle of this Intel transition, and it's clearly leading to some pause to the purchases of Macs," Wolf said. "That's going to continue until it's over."

The Intel chips will help prevent Macs from overheating, but it is not just the computers that are cooling off. Anxiety over the transition is one of the factors blamed for the decline in Apple's stock. Another is the inevitable

# Is the time still ripe to pick Apple?

leveling off of growth in iPod sales as the law of large numbers is enforced.

Apple may have been too good at promoting its technology. Rebecca Runkle, an analyst at Morgan Stanley, expects iPod sales this year to grow by 85 percent, not bad but far less than the 409 percent increase last year.

Some sellers of the stock, like Mowrey, just want to cash in some of their gains. He bought Apple late in 2000 at \$11.19 a share, adjusting for splits, and he has disposed of two-thirds of his holding.

"We still own it, but we trimmed our position over the last year and a half," he said. "We're still big fans of the company, but it's not the cheapest stock in the world." He played down the decline in Apple's P/E ratio by pointing out that earnings were close to zero two years ago, artificially inflating the multiple.

The deceleration in iPod sales is one reason cited by Richard Farmer, who follows the stock for Merrill Lynch, but other analysts are more upbeat. Richard Gardner of Citigroup has a "buy" rating and a price target of \$85 a share, and Runkle recommends that investors "overweight" the stock; her target is \$90.

Wolf has owned Apple stock since 1997, but his opinion has shifted to neutral lately. Yet he emphasized that while the stock is down, it is far from out.

"My thought is, the run is taking a temporary pause, but it's not over," he said. "There is the potential for great things to happen."

One of those great things may be the introduction around the end of the year of the Leopard operating system, which will allow Macs to run software

applications created to run on Microsoft's Windows operating system. That, Wolf said, would shift some of the burden of growth to Apple's PC business — not necessarily a bad thing, in his view.

"Apple is returning to its roots and placing more emphasis on the Mac," he said. "If only a modest percentage of Windows users switch to Macs, it will provide an enormous increase in Apple's performance."

McHugh is optimistic about Apple's ability, through its iLife software, to compete with Microsoft and other rivals for technological supremacy in the living room.

A major ambition of the industry is to insinuate computing into everyday life, to form a seamless mélange of hardware, software, telecommunications and various modes of entertainment. Apple's penchant for making user-friendly products should help the company accomplish so grand a goal, he said, making him especially bullish on the stock.

"It's sitting here at 70 bucks, and it could be a \$90 stock 12 months out," he said.

"There's still some room to run."

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ASIA

	High	Low	Last	Chge
<b>BANGKOK</b>				
SET Index	746.33			-1.97
Adv Info Svc	98.00	94.50	98.00	+3.50
Bangkok Bk F	116.00	114.00	115.00	Unch.
KBank	67.00	65.50	66.50	+0.50
PTT	232.00	248.00	250.00	Unch.
PTT Expl.	117.00	115.00	116.00	Unch.
Shim Corp.	36.25	35.25	35.25	-1.00
Siam Cement F	242.00	242.00	242.00	-4.00
<b>HONG KONG</b>				
Hang Seng Index	16313.36			+46.84
BAC Pacific	15.70	15.50	15.70	+0.05
Citic HK	13.30	13.10	13.20	Unch.
Cheung Kong	83.55	82.80	83.45	+0.25
China Life H	13.05	12.45	12.85	+0.30
China Mobile	43.05	41.60	42.70	+0.05
China Petrol H	4.85	4.75	4.83	+0.03
China Telecom H	7.25	7.05	7.20	+0.05
China Unicom	7.15	6.75	7.00	+0.20
CLP Holdings	45.75	45.20	45.35	-0.50
Cnoco	6.10	5.95	6.05	Unch.
Hong Seng Bk	99.95	99.50	99.70	-0.10
Henderson Ld	42.00	41.35	41.55	Unch.
HK China Gas	18.05	17.85	17.95	-0.10
HSBC	23.00	22.45	23.20	+0.75
Huatai	138.80	137.50	138.30	+0.20
Huatai Pwr H	5.45	5.30	5.35	-0.05
Hutchison Wh	72.55	71.70	72.00	+0.10
MTR Corp.	19.50	19.15	19.45	+0.05
PetroChina H	8.85	8.65	8.80	+0.05
Ping An Ins H	23.00	22.45	23.20	+0.75
SHK Props	83.05	81.90	82.50	-0.05
Swire Pac A	74.80	73.80	74.10	+0.10
Wharf Hds	81.50	79.50	79.50	+0.95
<b>JAKARTA</b>				
Composite index	1392.99			-7.86
Astra Intl	1075.00	1050.00	1065.00	+2.00
BK Mandiri	1940	1860	1970	-55
Gudang Garam	1000	950	970	-200
Indosat	5200	5050	5100	-50
Sampoerna	8150	8050	8100	-50
Telekomunikasi	7600	7400	7550	Unch.
Unilever Indon	4300	4200	4225	-50
<b>KUALA LUMPUR</b>				
Composite index	944.40			-3.38
Malaysia Mkt	40.00	39.50	39.75	Unch.
Malcom	11.00	10.80	10.90	-0.10
MISC F	8.40	8.20	8.30	+0.05
Maxis Comms	8.85	8.75	8.80	Unch.
Sampson	6.80	6.50	6.55	Unch.
Public Bk F	7.70	7.65	7.70	-0.35
Telekom Mal	8.75	8.60	8.70	Unch.
Tenaga				
<b>MANILA</b>				
PSE Index	2356.02			-22.72
Ayala	425.00	410.00	420.00	Unch.
Global Vntg	13.75	13.25	13.50	-0.50
Manila Electric	24.00	23.50	24.00	-0.50
Phil Long Dist	90.00	91.00	92.00	-45.00
San Miguel A	63.50	63.00	63.50	-0.50
San Miguel B	81.50	79.50	81.50	+0.50
<b>SEATTLE</b>				
S&P 500 Index	1188.89			+0.31
Amgen	42.00	41.50	41.75	-0.10
Boeing	40.00	39.50	39.75	-0.10
Microsoft	25.00	24.50	24.75	-0.10
Novartis	35.00	34.50	34.75	-0.10
Oracle	20.00	19.50	19.75	-0.10
Wal-Mart	40.00	39.50	39.75	-0.10
Yahoo	15.00	14.50	14.75	-0.10
<b>SYDNEY</b>				
All Ordinaries Index	5061.20			-15.00
AMP	9.30	9.10	9.13	-0.35
ANZ Bkng	26.57	26.21	26.21	-0.19
BHP Billiton	29.10	28.60	28.74	-0.25
Chong Chng	1.84	1.81	1.82	-0.02
China Resources	11.28	11.03	11.11	-0.06
Coles Myer	5.67	5.55	5.60	-0.04
Foster's Group	15.80	15.40	15.41	+0.04
Macquarie Bk	69.04	68.00	68.00	-0.04
Nat Aust Bank	36.35	35.70	36.05	-0.21
News Corp CDI B	26.55	26.12	26.17	-0.10
Qantas	16.84	16.51	16.51	-0.02
Rio Tinto	79.63	78.00	78.30	+0.40
St George Bk	29.90	29.53	29.57	-0.16
Westpac	3.89	3.81	3.83	-0.11
Westfarmers	35.34	35.00	35.01	-0.15
Westpac Bkng	23.26	23.46	23.50	+0.01
Woolworths	43.60	42.79	43.15	+0.19
Woolworths Pt	19.94	18.82	19.02	+0.05
<b>TAIWAN</b>				
Stock Market Index	7074.15			+46.12
Cathay Fin.	74.30	73.00	73.90	+2.90
China Steel	32.10	30.30	30.60	+0.30
<b>WELLINGTON</b>				
NZX 50 Index	3679.18			+39.51
Auckland Airp	2.13	2.07	2.10	Unch.
Concord Energy	7.90	7.76	7.90	+0.10
Fletcher Bkng	9.40	9.32	9.40	+0.01
Key City En	5.45	5.38	5.40	+0.02
SKY Network	5.92	5.80	5.91	+0.11
Telecom Nz	4.76	4.59	4.74	+0.18
Warehouse Gp	3.67	3.61	3.65	+0.04
<b>AMERICAS</b>				
High	Low	Last	Chge	
<b>MEXICO</b>				
IPC Index	20155.32			-61.70
Amer Movil T	20.55	19.59	20.35	+0.09
Amer Telecom	70.49	67.50	69.69	+0.17
Carsa	26.00	25.50	26.00	+0.08
Carsa Glob Tel	26.07	25.26	25.55	-0.32
Comcast	72.32	68.30	69.45	+0.06
Femsa UBD	100.60	98.00	100.38	-0.73
GenCorp	34.24	32.10	33.33	-1.24
Inbursa O	17.00	16.40	16.82	-0.24
Kimberly Clark	38.10	37.40	38.00	-0.26
Mexcel	39.80	38.01	39.37	-0.35
Televisa CPO	44.50	42.80	44.40	+0.10
TeleMex L	12.37	12.14	12.37	+0.02
WalMart Mx V	31.90	31.00	31.70	-0.09